



REPORT
OF
THE PART B STATES (SPECIAL ASSISTANCE)
ENQUIRY COMMITTEE



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CHAPTER I

PRELIMINARY

Appointment of the Committee and its terms of reference.—The Part B States (Special Assistance) Enquiry Committee was appointed by a Resolution of the Government of India in the Ministry of States, No. 66-SF/53, dated the 28th April 1953, with the following terms of reference:—

- (a) to review the results of the progress made in the internal integration of the administration and services in these States and the problems, financial and technical, if any, created for them by such integration;
- (b) to enquire into the developmental needs of these States; and
- (c) to make recommendations regarding any financial and technical assistance still required by these States to enable them to attain a reasonable standard of development, taking into account
 - (i) the efforts made by the State Governments to increase their available resources by additional taxation;
 - (ii) the assistance envisaged in the Five Year Plan to these States and the extent to which their special circumstances have been taken into account in fixing the quantum of such assistance; and
 - (iii) the additional resources made available to them under the recommendations of the Finance Commission.
- (d) It shall not be open to the Committee to consider or recommend any modifications in the agreements entered into with these States as a result of Federal Financial Integration.

A copy of the Resolution is reproduced as Appendix I to this Report.

2. *Programme of work.*—We addressed the States concerned on the 1st May 1953, regarding the work with which we were entrusted. In this letter we asked for copies of the following documents and papers:

- (i) documents submitted by the State Governments to the Finance Commission; and
- (ii) the Development Plans submitted by the State Governments from time to time to the Planning Commission together with a memorandum explaining the modifications made by the Planning Commission in these Plans.

We also asked for self-contained memoranda containing:

- (i) a review of the results of the progress in the integration of the administration and services in the States and the problems, financial and technical, if any, created by such integration;

- (ii) the efforts made by the State Governments to augment their available resources by additional taxation; and
- (iii) the details of the assistance, both financial and technical, over and above that given by the Finance Commission or envisaged in the Five Year Plan which the State Governments consider necessary to raise the States from their present alleged backward position and the phasing of this assistance over—
 - (a) the three years ending 31st March, 1956 which will cover the remaining portion of the Five Year Plan; and
 - (b) the period thereafter for which provision, if any, will have to be made in the next Five Year Plan.

3. We issued on the 13th May 1953 a Press Note for the information of the general public, explaining the scope and nature of our work and inviting the views of all who might be interested in this work and might have made a special study of the questions involved.

A copy of the letters to the States and of the Press Communiqué is annexed to this report (Appendices II and III).

4. *Visits to States.*—We visited all the four States between June 27, and August 1, and had discussions with the State Governments, their senior officers and important sections of non-official opinion. In the course of these meetings we had the opportunity of full and free discussions with the Chief Ministers and the Finance Ministers: we also had the opportunity of meeting other Ministers. We met practically all the Secretaries as well as Heads of Departments. We took this opportunity to visit certain areas in the States and discuss the problems of these areas with local officers as well as with representatives of non-official opinion. All the discussions in the States were kept as informal and complete as possible as our object was to obtain a full expression of views of everyone whom we met. We had also the advantage of discussions with the Members of Parliament representing these areas, and, in the case of PEPSU, with some of the former Ministers. The dates of our more important meetings in the States are given in Appendix IV. Certain supplementary information was called for from the State Governments during the course of these meetings and these have since been received by us. We have also received memoranda setting out the views of non-official organisations especially the Chambers of Commerce, representatives of local bodies etc.

5. We take this opportunity to place on record our deep sense of obligation to State Governments and their officers for all the trouble they took to arrange our programme of visits and for the ready assistance given to us in all matters connected with our work.

6. After completing our visits to the States, we had discussions with the officers of the States Ministry and the Finance Ministry in Delhi. We had also the benefit of a discussion with Shri V. T. Krishnamachari, Deputy Chairman of the Planning Commission and Shri N. Dandekar, who were closely associated with the Federal Financial Integration Scheme. The Chairman of the Committee has also had a discussion with the Finance Minister.

CHAPTER II

BACKGROUND OF THE ENQUIRY

7. *Political changes since transfer of power.*—The immense political changes that took place in the constitutional relations between the former Indian States and the rest of India between the years 1947 and 1950 are well known, but a brief recapitulation of them is necessary as they furnish the background to the present enquiry. As early as 1946 the policy of the British Government in relation to these States in the context of a transfer of power to the people of British India was laid down in a Memorandum by the Cabinet Mission. It was stated then that “as a logical sequence and in view of the desire expressed to them (the British Government) on behalf of the Indian States, His Majesty’s Government will cease to exercise the powers of paramountcy. This means that the rights of the States which flow from their relationship to the Crown will no longer exist and that all the rights surrendered by the States to the paramount power will return to the States. Political arrangements between the States on the one side and the British Crown and British India on the other will thus be brought to an end. The void will have to be filled either by the States entering into federal relationship with the successor Government or Governments in British India or failing this, entering into particular political arrangements with it or them”.

8. Subsequent discussions regarding the transfer of power centred round the details of the transfer of power with reference to British India and did not affect the policy laid down regarding the Indian States. Thus in the statement of June 3, 1947, it was stated that the policy towards Indian States contained in the Cabinet Mission memorandum of 12th May 1946 remained unchanged. Accordingly in the Independence Act it was expressly provided that all the functions of the British Government as paramount power in relation to the Indian States would come to an end with effect from 15th August 1947—the date of transfer of power. Thus a gap was left in the relations between the Indian States and the rest of India; and the only effort made to bridge this gap was the provision contained in Section 7 of the Indian Independence Act that, until denounced by either party or superseded by subsequent agreements, effect should, as nearly as may be, continue to be given to the provisions of any agreement which related to *Customs, transit and communications and like matters*.

9. The events which happened during the subsequent period are of historic significance and have been set out in several places. As from the 15th August 1947 an organic constitutional nexus was created between the Indian States and the rest of India by the accession of practically all the States on the three subjects of Defence, Foreign Affairs and Communications. Also, as from this date, agreements and administrative arrangements on all matters of common concern (other than paramountcy functions) were continued in operation under the provisions of a standstill agreement which was concluded with the States.

10. *Integration of States.*—This was the first phase in the adjustment of the Indian States in the Constitution of India. The second phase, namely, merger and integration, followed almost at once. It was possible to evolve through collaboration and discussion between the Rulers, the Governments of the States and the Government of India, a partnership between these States and the rest of India which is now embodied in the Constitution. The various stages which led to this may be briefly mentioned as under:

- (i) the formation of the Unions of Saurashtra, Madhya Bharat, PEPSU, Rajasthan and Travancore-Cochin;
- (ii) the merger of a large number of States in the former Provinces and the formation of the Chief Commissioners' States of Himachal Pradesh, Vindhya Pradesh, Bhopal, Bilaspur, Kutch, Manipur and Tripura;
- (iii) the acceptance by the Unions (now Part 'B' States) of the Central Government's authority both Legislative and Executive in all matters (other than matters relating to taxation) mentioned in the Federal and Concurrent lists in the Government of India Act, 1935;
- (iv) Federal Financial Integration under which all the Unions mentioned above as well as the States of Hyderabad and Mysore became equal partners in the Indian Republic in all financial matters; and
- (v) application of the Indian Constitution to all the States.



CHAPTER III

BACKGROUND OF THE ENQUIRY (CONTINUED)—FEDERAL FINANCIAL INTEGRATION

11. The principles which formed the basis of Federal Financial Integration are so well known that we need only reproduce a small extract from the report of the Indian States Finances Enquiry Committee on the subject:

“The new relationship between the States and the Union of India should thus rest on the following principles:

- (i) The Union Government should have authority in States over the same range of subjects as in Provinces;
- (ii) The Union Government should exercise its functions in States through its own administrative agency as in Provinces;
- (iii) The States should contribute to the finances of the Union on exactly the same basis as the Provinces and receive grants and other forms of financial assistance on the same basis.”

The net result of the process of Federal Financial Integration is also set out in the Committee's report as follows:

“Federal Integration thus essentially involves a two-fold process,—one, of ‘functional partition’ of the present ‘composite’ State Governments; and the other, of ‘merger’ of the partitioned ‘federal’ portions of the State Governments (together with the revenues, assets, liabilities and functions appropriate thereto), with the present Central Government in India (together with its corresponding resources) to constitute a *new* Government of the Union of India.

“Fundamentally, it is not a case of the present Government of ‘British India’ purchasing the Railways of ‘Indian States’ as a commercial investment for the benefit of ‘British India’. What is involved is a process of *pooling together* the ‘federal’ resources of the people of the States with the ‘federal’ resources of the people of ‘British India’; the result is a merger of the ‘federal’ resources of the people of India as a whole,—that is, of the States and of ‘British India’ alike—for administration, in the interests of all, by a new Central Government of the Union of India whose ‘power and authority’, (together with the wherewithal for their exercise), are derived from all the Units. In the circumstances, no question of payment of ‘compensation’ can obviously arise.

* * *

“We are equally clear that no similar question of ‘compensation’ arises in connection with the integration of such

'federal' revenues of the States as Customs duties on foreign trade, Central Excise Duties, Income-tax and the like.

"We recognise, of course, that the integration of all 'federal' revenues of States with those of the Centre will give rise to maladjustments in their financial position; and the remedy for this lies in ascertaining the precise extent of the *net* overall dislocation likely to be caused, and then providing necessary financial (revenue) adjustments between the Centre and the States, over such transitional period as may be permitted by the Union Constitution under Article 258 so as to avoid such dislocation."

12. Thus the financial integration scheme has involved the following consequences:

- (i) The State Governments should have available to them all the sources of revenue detailed in the State List;
- (ii) In addition, States like Mysore, Saurashtra, Hyderabad and Travancore-Cochin which derived a substantial revenue from federal resources i.e. Income-tax, Central Excise, Railways etc., should be guaranteed a further amount for a period of ten years depending on the size of the net revenue gap that would be caused by the transfer of federal revenues and expenditure to the Centre. This revenue gap represents the extent to which the States were utilising federal revenues for State purposes in the basic period immediately preceding financial integration;
- (iii) In other respects the States would be in the same position as the Provinces and would qualify for Central assistance in the same manner as the Provinces would.

13. Of the four States with which we are concerned, Saurashtra had a considerable revenue gap which is met by a grant-in-aid as explained above. The need for a similar grant-in-aid did not arise in the case of Rajasthan, Madhya Bharat and PEPSU, as the federal expenditure was in excess of the federal revenues in these States in the period immediately preceding financial integration.

14. In the Agreements concluded with the States of Saurashtra, Madhya Bharat, Rajasthan and PEPSU providing for the financial integration of these States, the following clause was inserted:—

"There is need for assistance to the State in connection with internal integration of its administration and services, and particularly in relation to its development in different directions, having regard to the fact that the State is backward in several respects as compared with Part A States. The Government of India must*/will undertake a systematic enquiry into this problem with a view to rendering financial and technical assistance at the earliest opportunity. It will not be enough if, as a result of Federal Financial Integration, the State is treated in the matter of grants and other forms of assistance in exactly the same way as Part A States."

* For Saurashtra only.

It is in pursuance of this clause that we have been appointed to report upon the needs of the States.

15. It may be mentioned here that the Government of India thought at one stage that it would be necessary to go into the question of "provincial" finance in the case of all Part B States. The Indian States Finances Enquiry Committee were therefore in their original terms of reference asked *inter alia* to examine and report upon:

- (i) the structure of Public Finance in the States and Unions of States; and
- (ii) the measures which the Committee might consider necessary and/or desirable for revising, in the light of present day conditions and standards, and having regard to the requirements of modern administration, the structure of Provincial Finance and, in particular, the levels and sources of Provincial Revenues in Indian States and the Unions of States.

The Committee found after a preliminary survey that a detailed investigation of this group of questions would require detailed and elaborate local enquiries necessitating the employment of special officers in the areas concerned. Such an investigation would have taken much more time than was first thought would be needed. The Committee therefore suggested that it should confine itself to the problems connected with the evolution of a system of federal finance in States and Unions of States which would be uniform with the system in Provinces. The Government of India agreed to this proposal.

16. The clause quoted in paragraph 14 appears in the Federal Financial Integration Agreements; but in our opinion it would not be correct to relate it merely to the arrangements covered by the agreements or to treat it as being in any way a *quid pro quo* for the States entering into the agreement. This is clear from the fact that though Federal Financial Integration took place on the same basis in the cases of the States of Hyderabad, Mysore and Travancore-Cochin no similar clause was inserted in the agreements with these States. We think that the special assistance which was envisaged for these four States was the consequence of the peculiar background of political changes which took place in them. In all these four States, composite units of considerable size and population were created by the amalgamation of a number of Indian States, some big and many small. This was followed by the creation of democratic Governments in these "Unions" and the application of the Constitution of India as well as Indian Laws over practically the whole of the field covered by the subjects in the Union and Concurrent lists. In addition, the States themselves have adopted suitable laws of Part A States. All this involved changes, political, organisational and otherwise of great magnitude. The problem before the States was summarised by Sardar Patel as follows:

"The real task has just begun and that task is to make up for the loss of centuries, to consolidate the gains that we have secured, and to build in them an administrative system, at once strong and efficient. We have to weave

new fabrics into old materials; we have to make sure that simultaneously the old and the new are integrated into a pleasing whole—a design which would fit well into the pattern of all India. You will appreciate the immensity and complexity of the task if you bear in mind that in many States even the rudiments of administrative machinery did not and do not exist; in a large number even local self-governing institutions were either conspicuous by their absence or still in a stage of infancy; popular organisations did not have such far-flung roots as in the rest of the country. Almost over-night we have introduced in these States the superstructure of a modern system of Government. The inspiration and stimulus has come from above rather than from below and unless the transplanted growth takes a healthy root in the soil, there would be a danger of collapse and chaos”.

17. The Ministries newly set up in these States were naturally anxious to be assured that in facing the administrative and other problems with which they were confronted they should be assured of support from the Central Government. They pointed out that in the case of these four States it was necessary to take note of the fact that they comprised a considerable number of disparate units in various stages of administrative evolution. The new democratic Government had still to bring about administrative integration and reforms embracing the large number of units out of which the new Unions had been formed. The avowed object of integration, political, administrative as well as financial, was to give to the people of the States the machinery and the amenities of a modern Government. For the discharge of this heavy responsibility the Governments of the States might require both financial and technical assistance from the Centre. The responsibility of the Centre should not therefore be regarded as ended by the mere application of the Constitution to the Unions and by the federal integration with the Central Government and the State Governments naturally wanted an assurance of continued interest by the Centre in their problems. It was, we think, in pursuance of considerations of this kind that a clause to this effect was included in the Saurashtra Agreement as well as in the Agreements concluded with the States of Madhya Bharat, Rajasthan and PEPSU which were in a more or less similar position. The correct way of looking at the clause is therefore to view it as a recognition of the Central Government's willingness to take into consideration any special difficulties these States might encounter in the initial period of their existence and give them such assistance as might be found necessary to enable them to “find their feet”. The degree of the assistance which they would need could not have been known at that time. Therefore the Central Government accepted the necessity of making an enquiry.

18. Two important developments have taken place since then. These are the appointment of the Finance Commission and of the Planning Commission and the consideration which these bodies have given to the problems of the States. The effect of this we examine later.

19. Both in their memoranda and discussions, the Saurashtra and Rajasthan Governments have complained about the adverse effect

of the Federal Financial Integration on the revenue position of the States. According to our terms of reference it is not open to us to consider or recommend any modifications in the agreements entered into with these States as a result of Federal Financial Integration. But in view of the strong feelings which the States felt in this matter we have thought it necessary to obtain some material on this subject.

20. As we have stated earlier, the object of the scheme of Federal Financial Integration was to bring the Part B States on to the same pattern of relationship with the Centre as Part A States and make them equal partners of the Indian Republic sharing the benefits, both direct and indirect, with the other members. This was however to be subject to financial adjustments calculated to avoid any dislocation in the finances of the Part B States. These financial adjustments are to be reviewed and modified, if necessary, after an initial period of five years, on the advice of the Finance Commission.

21. In this connection, mention has been made of a sense of grievance that assets, especially railway assets, have been taken over by the Government of India without payment of any compensation. We may say at once that any claim for compensation based on transfer of assets is contrary to the basic principles underlying the provisions of the Constitution allocating functions and powers as between units and the Union of India.

22. As regards the settlement itself, we may add that the Federal Financial Integration Agreement as well as the computations made thereunder were negotiated after full and free discussions with the States concerned and represent decisions agreed to by both the parties. In determining the exact amount of the net loss caused to Part B States under the scheme, not only full consideration was given but adjustments were made for all special circumstances that could legitimately be urged by the Governments of the States concerned.

23. We now deal briefly with the effect of the Federal Financial Integration on the finances of the States. As we understand the position, Madhya Bharat, Rajasthan and PEPSU were relieved of a larger amount of expenditure than revenue as a consequence of the transfer of "federal" subjects to the Centre. In Saurashtra where the State enjoyed a substantial revenue from Railways and had also been given an assurance for "compensation" for their customs revenue, the Federal Financial Integration arrangements provide for the payment of a grant-in-aid on the following scale which covers adequately the net loss of revenue as a result of transfer of "federal" subjects and constitutes in effect a substantial addition to the revenues open to them under the State and Concurrent lists of the Constitution.

	Rs. in lakhs.
1950-51	275
1951-52	275
1952-53	275
1953-54	275
1954-55	275
1955-56	253
1956-57	231
1957-58	209
1958-59	187
1959-60	165

24. The revenue position of the States has been steadily improving since 1950-51, the year from the commencement of which financial integration took place. The expenditure met from revenues has also shown a corresponding increase, viz.,

	1950-51		1951-52		Revised Estimate 1952-53		Budget Estimate 1953-54	
	Rev.	Expdr.	Rev.	Expdr.	Rev.	Expdr.	Rev.	Expdr.
(Rupees in lakhs)								
Saurashtra .	777	742	752	863	984	1166	942	995
Madhya Bharat	1038	1177	1149	1131	1301	1273	1430	1449
Rajasthan .	1461	1391	1551	1576	1750	1714	1944	1944
PEPSU .	563	462	609	466	625	579	635	704

25. The effect of the Finance Commission's recommendations has been to secure an improvement in the resources of all these States. In particular, Madhya Bharat, Rajasthan and PEPSU have benefited considerably as a result of the Finance Commission's review. In Saurashtra the revenue gap grant-in-aid from the Centre fixed under the Federal Financial Integration Agreement was, we understand, already higher than the State's legitimate share of Central taxes as fixed by the Finance Commission. The State is therefore receiving the revenue gap grant-in-aid of Rs. 275 lakhs fixed under the Federal Financial Integration Agreement; in addition, the Finance Commission's recommendations have resulted in their getting a grant-in-aid of Rs. 40 lakhs under Article 275(1) of the Constitution. Saurashtra and also the other States are also receiving Central assistance on various other counts such as, for Grow More Food Schemes, Industrial Housing, Famine, allocation from the Central Road Fund etc., etc. *vide* appendix V. संयमन जयन्त

26. These States have made very considerable progress in their expenditure on nation building and development departments as shown in the following table which gives the total expenditure on irrigation, education, medical and public health, agriculture and civil works:—

	1949-50	1950-51	1951-52	Revised Estimate 1952-53	Budget Estimate 1953-54
(Rupees in lakhs)					
Saurashtra . .	231	300	336	378	450
Madhya Bharat .	328	394	445	510	612
Rajasthan . .	*	498	537	662	772
PEPSU	121	155	175	225	307
Orissa	*	614	520	566	674
Madhya Pradesh .	*	655	737	911	1096
Assam	*	403	514	672	747

Figures are not available.

27. The comparison shows that the progress made by the four Part B States under consideration during the last four or five years compare favourably with that made by Part A States like Orissa, Madhya Pradesh and Assam which are also comparatively backward and some of which have had integrated into them a large area of "merged States" which were in no way more developed than the States now forming the Unions of Saurashtra, Madhya Bharat, Rajasthan and PEPSU. We also find that in the matter of *per capita* expenditure on the five services mentioned above (based on the 1953-54 budget estimates) the position of the four Part B States in question is already better than that of the Part A States referred to viz.,

Saurashtra	10.97
Madhya Bharat	7.65
Rajasthan	5.04
PEPSU	8.77
Madhya Pradesh	5.17
Orissa	4.61
Assam	8.30

28. In addition to outright grants on several counts which the States receive from the Government of India as a result of the Federal Financial Integration, the States also participate in the capital assistance extended by the Central Government and this has helped them in no small measure in increasing their tempo of expenditure on projects of permanent utility. During the three years from 1950-51 to 1952-53 the States, we understand, have received loan assistance from the Central Government to the order of:

	Rs. in Crores.
Saurashtra	2.44
Madhya Bharat	1.54
Rajasthan	3.54
PEPSU	2.84

The allotment for loan assistance during 1953-54 is understood to be as follows:

	Rs. in Crores.
Saurashtra	1.35
Madhya Bharat	0.50
Rajasthan	1.50

The following table will show the gradual increase in the capital expenditure of the States from year to year:

	1950-51	1951-52	R. E. 1952-53	B. E. 1953-54
			(Rs. in lakhs)	
Saurashtra	101	148	216	273
Madhya Bharat	110	96	162	164
Rajasthan	201	143	181	349
PEPSU	12	5	32	284

29. Saurashtra has expressed some apprehensions about the possible adverse effect of a diminution after the first five years in the scale of Central grant-in-aid fixed under the Federal Financial Integration agreement to cover the revenue gap. The Krishnamachari

Committee expected that the State Governments would, after an initial period of consolidation, be able to bear an equitable proportion of the loss of revenue arising from financial integration. If, however, the Part B States are not able to do so, the question will be one of the financial dislocation of a State and as such will have to be considered under Article 280(c) of the Constitution by the Finance Commission. It is relevant to mention as illustrative of this point that the Finance Commission of 1952 has already recommended a grant-in-aid to Saurashtra and Travancore-Cochin in addition to revenue gap grant and this recommendation has been given effect to.

30. Certain points which were mentioned to us by Rajasthan Government appear to us to deserve some consideration. We have not, in view of our terms of reference, attempted any study of these points, but the State Government attach considerable importance to them and we trust the Government of India will give sympathetic consideration to the State's point of view.

(i) *Investment in the Nagda-Mathura Railway.*

The following extract from the Rajasthan Government's memorandum outlines their case on the subject:

"The Jaipur Government had contributed a sum of Rs. 85 lakhs towards the construction of the Nagda-Mathura Section of the B.B. & C.I. Railway. The main terms of the agreement regarding contribution of Rs. 85 lakhs by the Jaipur Durbar are as follows:—

- (1) The investment by the Jaipur Government to be regarded as permanent. The Jaipur Government cannot part with its interest in the line except to the Government of India.
- (2) The Government of India is under no obligation to purchase the Jaipur Government's interest in the line at any time. But if the Jaipur Government wish to sell and the Government of India agree to buy, the price shall be twenty-five times the average net annual profits received by the Jaipur Government during three preceding years for which the accounts have been made.

"Under clause No. 1 above the Jaipur State all along treated this contribution of Rs. 85 lakhs as a purely permanent investment and the share received from the net earnings was always credited to the head 'Interest on Investments'—the head to which interest on G.P. Notes, shares and Loans etc. was credited. Apart from this the State had no hand in the management of the railway except that of receiving its share of the net earnings in proportion to its capital investments. Thus the position of the Jaipur Government was that of a pure investor in the concern and in case the State's share was to be taken over by the Central Government, it should have been done with the consent of the State Government and the transaction should have been governed by clause 2 above. According to this clause the State Government should have been paid price

equal to 25 times of the average net amount of profits which works out to Rs. 5.16 crores. The income received during the three years period is as follows:

1947-48	14.92 lakhs
1948-49	23.12 „
1949-50	23.90 „ (Provisional)
TOTAL	61.94
Average	20.64 lakhs 25 times of which would be Rs. 5.16 crores

“During the course of discussions the State Government representatives pressed the view that the shares held by the Rajasthan Government should be treated in the same manner as other investments in the shares of a Bank or a Joint Stock concern.

“The Indian States Finances Enquiry Committee, however, treated this investment like the other State Railway systems and the income as Railway revenue with the following observations:

‘With particular reference to the Jaipur Darbar’s contribution to the capital cost of the Nagda-Mathura Railway it was explained that the contribution could not be regarded otherwise than as a permanent investment in a specific productive capital asset. As such the asset being federal in character must pass to the Central Government upon Federal Financial Integration’.

“It is too strict a view and on grounds of equity and fairness cannot be justified. This treatment could not have been given to individuals”.

(ii) *Difficulties in allotment of wagons.*

Since there is chronic water scarcity in Jodhpur and Bikaner areas, arrangements were made to transport water in specially constructed wagons from long distances. It was represented to us that these specially made water tanks and wagons had been distributed on an all India basis, and that during recent famines they were not made available to the Rajasthan Government to the necessary extent. The case of the Rajasthan Government is that when these wagons are badly required in Rajasthan, they should be made available. We have no doubt that the Railway Ministry and authorities will look into this complaint.

(iii) *Recruitment to Railways.*

It was represented to us that as many as 12000 persons in Rajasthan were employed in the Railways. Since integration, however, it was stated that even recruitment to Class IV posts is being made outside Rajasthan. The Rajasthan Government are anxious (and we think justifiably) that local people should be taken up for local employment wherever possible.

(iv) Similarly in minor matters like the use of Railway rest houses by State officials, it has been represented to us that a more co-operative attitude will help a great deal in bringing about an atmosphere of friendship and cordiality.

On these matters we only add a general comment. It must be remembered in dealing with these matters that till recently these Railways etc. were departments of the State and therefore there were some common amenities shared by all the departments alike. Even if as a consequence of integration, these have gone over to the Centre, we think, a continued 'give and take' policy will result in an atmosphere of goodwill which will more than pay for the monetary value of any concession extended.



CHAPTER IV

ANALYSIS OF THE MEMORANDA PRESENTED BY STATES

31. An analysis of the demands for assistance as made out in the memoranda prepared by State Governments is included in Appendix VI.

32. The Saurashtra and Rajasthan Governments have in their memoranda given a comprehensive picture of their developmental and other requirements under various heads. These requirements are meant to give a general indication to the Committee as to the extent of backwardness of the States and the measures necessary and finances involved (which in some cases are rough approximations) to remedy such backwardness.

33. The PEPSU Government have attempted a comparison of the conditions prevailing in that State to those in the Punjab and made proposals for bringing the State to the Punjab level in certain directions. No attempt has been made to include in the memorandum the development plans of the State as these are treated as part of the Five Year Plan of the State.

34. The Madhya Bharat Government have prepared on as realistic a basis as possible an estimate of the revenue and expenditure in the next three years period ending 31st March 1956; added to the net result the cost on account of revision of pay scales on the Madhya Pradesh level and the cost of additional amounts required to complete works in progress and the targets under the Five Year Plan and deducted from this the additional revenue which the State Government hope to raise. The balance represents the net amount claimed as assistance by the State.

35. Under their terms of reference the Committee have to make their enquiry in two directions, viz. (i) to review the results of the progress made in the internal integration of the administration and services in the States and problems, financial and technical, if any, created for them by such integration; and (ii) to enquire into the developmental needs of these States. They will then take into account the efforts made by the State Governments to increase their available resources by additional taxation and the assistance envisaged in the Five Year Plan and the benefits received from the Finance Commission in recommending assistance for the States.

36. It will be convenient to consider separately the assistance required in the two directions mentioned above.

CHAPTER V

INTERNAL INTEGRATION OF ADMINISTRATION AND SERVICES

37. In regard to the internal integration of administration and services the States had undoubtedly a very difficult task to face. In every case the administrative structure had to be built up practically from scratch. A Central Secretariat and Headquarters organisation had to be built up, as well as all the machinery for the constitution and functioning of the Legislatures. The new States had to be demarcated into Districts and Talukas and in the cases of Rajasthan and Madhya Bharat, Divisional Headquarters had also to be organised. Laws and codes had to be made uniform; and with the extension of Central laws, the judicial machinery had also to be overhauled and re-organised. New High Courts had to be established. Proper accounting machinery had to be installed. The pay, qualifications and experience of the members of the services in the various Covenanted States differed very widely and the State Governments were faced with the task of organising these personnel in the different cadres of service, prescribing uniform scales of pay and retiring or otherwise retrenching unsuitable personnel.

38. All this was admittedly a formidable task. The task of these State Governments in fact was one of creating an entirely new administrative machinery with the personnel inherited from the old Indian State Governments. To assist the Governments of these States, the Government of India made available the services of experienced officers as Advisers. The Government of India also deputed senior officers from the Centre and from Part A States to fill certain key posts such as those of Chief Secretary, Finance Secretary, Inspector General of Police etc.

39. Considering the difficulties which the State Governments had to face, it may be said that, while there is scope for further considerable action in regard to organisation, encadrement and retrenchment, the machinery of administration has been organised for normal working purposes, and it is now fairly adequate to serve the needs of the States. The 'teething troubles' of the new States are definitely over.

40. The participation of the States in the All India Scheme of recruitment to the Indian Administrative Service and the Indian Police Service was a significant step in the direction of obtaining suitable persons to man the senior administrative posts in districts. These higher administrative and police cadres in the States have now been organised on the same lines as in Part A States and provision has been made

- (a) for the absorption of suitable officers into these cadres at an appropriate stage, and
- (b) for the maintenance of these cadres both by promotion and by recruitment by competitive examinations.

41. The following is a summary of what has been done in the various States in regard to the integration of other services:

Saurashtra: The following steps amongst others have been taken:

- (i) strengths and set up of departments of Government have been laid down;
- (ii) rules for retrenchment of personnel have been prescribed;
- (iii) salaries of various grades have been laid down;
- (iv) service cadres have been established;
- (v) arrangements for training of officers have been made and departmental examinations have been prescribed; and
- (vi) measures have been taken to ensure proper functioning of treasuries and preliminary audit and a cadre of accounts officers and treasury officers has been formed.

The progress still to be made in Saurashtra is mainly in the following two directions:

- (i) reduction and retrenchment in order that the administration may function not only with necessary economy but also with efficiency;
- (ii) the retrenchment of unqualified, unsuitable and surplus personnel.

The Saurashtra Government are themselves fully aware of this problem and are taking such steps as they consider possible to tackle it. They appointed an Economy Committee in 1949; and in 1952 they appointed another Committee composed of the Chief Secretary and two other Secretaries. They have told us that the economies to be made by the Committee will result in a saving of about 50 lakhs of rupees per annum and that the number of persons affected would be in the neighbourhood of 4000. The Finance Commission have noted that the cost *per capita* of administration in Saurashtra is high, namely, Rs. 6.8. The Saurashtra Government hope that when all their economies are completed this figure will come down to Rs. 4.3 *per capita*.

Madhya Bharat: A provisional scheme of organisation of services was introduced in Madhya Bharat soon after integration and revised pay scales were brought into force in January 1949. Since then, two sets of action have been undertaken in the State in regard to service organisation:—

- (i) a three man integration *cum* reorganisation committee for each department was appointed to scrutinise the territorial and functional structure of the department; to propose strengths of various grades and cadres required; to decide all representations from aggrieved officials and to formulate service rules regulating recruitment and promotion;
- (ii) a mixed Committee of non-officials and officials under the Chairmanship of the present Chief Minister of Madhya Bharat was established in 1950 to examine whether there

was any overexpansion in any department and to suggest reduction. On the basis of the labours of the Integration Committee, integration and re-organisation have been carried out in 15 departments, and are under consideration in others. The Committee set up by the Government submitted a useful report but it is understood that no action has so far been taken on the report. If the recommendations of the Committee were implemented, it would have resulted in a saving of about Rs. 33 lakhs per annum.

Rajasthan: On the basis of reports submitted by Departmental Committees, the pattern for the administrative set up of various departments has been sanctioned by the State Government. Progress in regard to final selections as well as in regard to seniority has hitherto been slow because a number of representations were received and these are still under consideration.

The Rajasthan Government had a big problem in the integration of services and administration as they inherited over 80000 Government servants of all grades and classes from the integrating units. A systematic procedure for integration in several stages was attempted. These stages included the set up of each Department and the number of posts required in each grade; provisional appointments of available officers to the set up; formulation of rules for final selection; the actual progress of selection and the prescription of pay scales; disposal of surplus personnel; and a review of the integrated set up from time to time with a view to effecting economies. Owing to various circumstances, one of which was the fact that the Rajasthan Government found it necessary to review decisions already taken, progress in completing these processes has not been as expeditious as might have been desirable. In 1951, Rajasthan Government obtained the assistance of a senior Central Government Officer to help them in formulating proposals for economy; and he has made a full study of the problem and given valuable suggestions as to further action. The Rajasthan Government have assured us that they are now vigorously following up these suggestions and will implement them as urgently as they can.

PEPSU: The PEPSU Government appointed a Pay and Cadre Committee consisting of the Chief Secretary and Finance Secretary to advise on the questions relating to the administrative structure in the State. The Committee reported on almost all the major questions relating to the administrative set-up of the Union and most of the recommendations were implemented. When this Committee had concluded its work, selection of officers and preparation of seniority lists were taken up. This process has been delayed owing to several factors and is not yet complete. We were assured however that the Government will do its best to expedite the completion of integration.

42. A general review of the position indicates that while the State Governments have taken action (a) to determine their requirements in the way of an integrated administrative set-up, (b) to assess the qualifications of the available personnel, and (c) to lay down a procedure for the retrenchment of surplus or unsuitable personnel, the progress of action has not generally been as rapid as could have

been desired. As compared with similar Part A States, the administrative machinery in these States is overstaffed and further economy by reduction in the number of districts and other measures of economies are possible. The States have certainly had to face political and other difficulties in this matter especially in bringing about a reduction in the number of Districts, Tehsils and other administrative units. We have to appreciate and give weight to these difficulties. Nevertheless, it is necessary that this problem should be faced as early as possible both in the interests of good government and of economy. The Committee therefore suggested during discussions with them that reduction in the number of their present administrative units was a necessity which could not be delayed much longer and that there should be a time limit of say, six months, for effecting this essential administrative reorganisation. The State Governments were generally responsive to this suggestion, and agreed to lay down a target date to which they should work.

43. On the question of technical assistance for administration, we understand that for senior posts like those of Chief Secretary, Finance Secretary, Inspector General of Police etc. the Government of India have adopted the policy of deputing experienced officers to Part B States whenever necessary. Further assistance in this way may continue to be given. By joining the Indian Administrative Service and the Indian Police Service schemes the State Governments will get their share of officers from all over the country for manning senior administrative posts. For manning technical posts also the Government of India whenever necessary assist the Part B States to obtain the services of suitable qualified officers. There is need for continuance of assistance in this direction but this can only be a result of continuous consultations between the Government of India and the State Governments concerned.

44. In this connection the Committee would like to suggest that there may be set up a pool of senior State officers with technical qualifications who may be made available to any State which may require their services for a specific period, say, two to three years, during which period the local personnel may be suitably trained. A detailed scheme in this respect may be worked out in consultation with the Governments of both Part A and Part B States.

45. On the question of the financial assistance arising out of integration, the cost of integration and reorganisation of services is reflected in the annual budgets of the States and have as such been taken into consideration by the Finance Commission in the determination of the grants to be made by the Central Government under article 275(1) of the Constitution. The Commission have in this connection observed as follows:

*"Claims by States:—*We received from the State Governments forecasts of revenue and expenditure for the five years beginning with 1952-53. These were based on the existing levels of taxation and expenditure and were of considerable assistance to us in taking a view of their financial position. In addition to requests for assistance on the basis of budgetary needs most States also preferred a number of specific claims for assistance. These latter covered a wide field and among the more important we would mention claims for assistance for financing the Five Year Plan and carrying out schemes not included in it; meeting

the burdens in regard to the maintenance of security as a result of the partition and the subsequent developments, covering the recurring loss on the maintenance of certain minor ports; meeting expenditure on the reorganisation of pay structures in certain States as a result of the integration or merger of the former Indian States, and levelling up of administration in the 'merged areas'.

"So far as the claims relate to finance required for schemes of capital outlay, these are hardly likely to be met by grants from revenue with which we are primarily concerned. Nor are we concerned with the provision of finance for the various individual schemes included in the Five Year Plan taken by themselves. In so far as they involve expenditure on revenue account this will have to be met from the revenues, as augmented by the States' efforts or by our scheme.

"As regards the other requests for grants which relate to expenditure normally met out of the revenue budget, we have given them our careful consideration and taken them into account in assessing the needs of the individual States. Some of the factors, such as the effects of 'mergers', given as the ground for the claims are already reflected in the expenditure budgets of the States which we have taken into account. For the rest, these demands will have to be financed from the future budgets of these States to the extent to which their finances permit. In our view, so long as the claim relates to a subject which is constitutionally the responsibility of a State Government, it can arise ordinarily only as part of the total financial commitments of the State as a whole. Lastly, for reasons explained in an earlier chapter we have not gone into the complaints made by some of the Part B States against the fixation of the 'revenue gap grants'."

46. In view of this and of the fact that some room for economies still exist in these various States we do not recommend any specific financial assistance on this account.

47. In this connection, most of the States have proposals for bringing up their pay scales to the level of those in adjoining Part A States. The Saurashtra Government have suggested that scales of pay in that State should be brought up to the Government of India level or alternatively to the Bombay level. Madhya Bharat wants to adopt the Madhya Pradesh rates and PEPSU the Punjab scales. The position in India is that there is no uniformity in pay scales among States, and each State has to strike a balance between its own financial resources and what it considers to be a reasonable scale of wages for its servants. This fact has been mentioned both by the Central Pay Commission and the Dearness Allowance Committee. We do not think it will be possible to recommend any special assistance on this account.

CHAPTER VI

DEVELOPMENT

48. The question of assistance to be recommended for development purposes is a somewhat difficult one. Under our terms of reference we are required to enquire into the developmental needs of these States and to make recommendations regarding any financial and technical assistance still required by the States to enable them to attain a reasonable standard of development. In deciding what would be a *reasonable* standard of development, we have to refer back to the Federal Financial Integration Agreement which states the problem as one related to the backwardness of the States in several respects as compared with Part A States. This background is important because India as a whole is a backward and under-developed country with inadequate financial resources; and when we speak of inadequacy and under-developed conditions with reference to India, what we have to bear in mind is not so much the lack of public conveniences or luxuries but of basic necessities like food, cloth, minimum educational and medical facilities and other bare necessities of individual and corporate life.

49. As already stated above, at the time when these Part B States became an organic part of the Indian Union, the Government of India undertook the responsibility of holding an enquiry into the directions in which they might require special assistance. At that time it was probably not envisaged that there would be appointed a Planning Commission to prepare a national plan for the whole of India—a plan which would take into consideration the objectives set out in the Constitution. The Planning Commission, with all the resources, experience and expert knowledge which have been made available to them, have conducted a thorough and detailed examination of each aspect of development of these States as part of an overall Plan for the country as a whole. In consultation with State Governments and public opinion in general, they have prepared a Five Year Development Plan. In this Plan “each aspect of development is taken up in turn, needs and resources assessed and the Commission’s own proposals for policy and action are presented.”

50. In dealing with the Part B States, the Planning Commission have observed as follows:—

“The main considerations which have governed this distribution (the distribution of development expenditure between the various States) have been the current level of development expenditure, the relative urgency of the schemes proposed and the resources that the States could raise themselves. It has also been influenced to some extent by the need to complete projects already in hand. In allocating financial aid from the Centre for the various State plans, *care has been taken to meet as far as possible the requirements of the more backward areas.* In allocating Central assistance to Part B States, their special needs for bringing up the level of administration and social services to that of Part A States have been kept in mind.”

In other words the Planning Commission have made a detailed survey of the needs of each State including the four States with which this Committee is concerned and in drawing up their plans have given due weight to any special requirements. This has been done after full discussions with the State Governments.

51. Another point may be mentioned here. The Planning Commission have stated very rightly that in formulating a plan of development for a particular period, an estimate of what is feasible must carry more weight than abstract reasoning as to a desirable rate of growth. Not only finances, but problems of technical and other resources are equally important. The Planning Commission have also stated that there is clear need for looking beyond immediate possibilities and for taking a view of the problem even from the beginning in terms of continuing and overall requirements, and for preparing the ground in advance. A programme of development even for a short period would, the Commission have observed, fail to have direction and perspective unless it is in some way linked to certain long term targets and objectives relating to the kind of economy and social framework which it is proposed to evolve. The Planning Commission, therefore, consider that it is necessary to visualise the problem of development over a period of 25 or 30 years and to view the immediate five year period in this broader context.

52. The problems of development of these four States have to be viewed against this background, and specific plans for individual States have to be integrated in the national Plan in accordance with the priorities which may be laid down in the overall national interest. In laying down such priorities, the express objective of the framers of the national Plan has been to pay particular attention to the needs of backward areas.

53. In memoranda and in discussions, the four State Governments have urged the necessity for proceeding with various development plans for these States and for Central assistance for this purpose. In view of the background as explained above, the Committee are of the view that it will not be useful to go in any great detail into each of these plans. This will be merely duplicating the work of the Planning Commission. The Committee consider that what they have to do is to ascertain (i) whether assistance in any specific direction which the States require has been overlooked by the Planning Commission and (ii) whether in order to reach the level of Part A States generally any urgent measure of assistance is required by any of these States in any particular direction.

54. One comment will not be inappropriate in this connection. The Planning Commission have naturally stressed that our first objective should be to complete the targets laid down in the First Five Year Plan as these targets have been fixed with due consideration of the priorities of each scheme. In fixing these targets and making allocations of funds, the Planning Commission have in the case of Part B States made some concession to their special needs by providing for a bigger margin than in other States

- (a) for non-developmental expenditure; and
- (b) for developmental expenditure not included in the Plan.

In Appendix VII is given a note explaining the manner in which these special considerations apply in these Part B States.

55. We have also compiled in Appendix VIII an analysis of the *per capita* provision as made in the Five Year Plan under the heads:

- (a) State Plans;
- (b) Central assistance to State Plans; and
- (c) Multipurpose projects included in the Central Plan but which will benefit the States.

The figures in this statement may not be quite accurate and have to be viewed with caution because the Plan itself is subject to change from time to time as the situation demands. All the same these figures will show that the Planning Commission have considered the case of these States with a great deal of care. It may be stated here that in addition to its sharing in the Bhakra Nangal Project PEPSU is also a participant in the Tube-wells Irrigation schemes which are also included in the Central Plan; while all these Part B States have, as the note at Appendix VII shows, received sympathetic consideration in regard to special minor irrigation schemes, Community projects, basic and social education, cottage industries, welfare of backward classes etc.

We also understand that under the Adjustment in the Five Year Plan, it has been agreed to make additional assistance available to State Governments with a view to accelerating progress on certain schemes which were already in the Plan and for undertaking work on certain other projects, mainly for irrigation in scarcity affected areas. Under this Adjustment

- (a) the Central assistance to Madhya Bharat has been raised from Rs. 4 crores to Rs. 6 crores;
- (b) an additional amount of Rs. 2.5 crores will be available to Saurashtra; and
- (c) an allocation of about Rs. 5.5 to 6 crores has been made to Rajasthan for special minor irrigation, roads and Power Projects.

56. The anxiety of the Planning Commission is that nothing should prejudice the achievement of the targets fixed in the Five Year Plan. With this objective the Committee are wholly in agreement.

57. The States have in their memoranda and in discussions with us asked for assistance under various heads. The main heads under which assistance was asked for were Education, Medical and Public Health, Irrigation, Roads, Forests, Agriculture, Industry and Trade, Land problems and land reforms, Local-Self Government and Famine. In considering the question of the special assistance necessary we have also therefore had to examine the problem with reference to these heads.

58. Before we briefly discuss the individual items under which assistance has been asked for by these States, we may also say that in regard to social services taken as a whole, these four States cannot be considered on the basis of available statistics to be appreciably backward by a reference to the average standard obtaining in Part A States, *vide* Appendices IX and X. To say this is not to suggest that the social services rendered by these States to their people are not very meagre even today. But, then, as we have already mentioned, the whole of the country is still backward and lacks the essential amenities of a civilised life.

59. *Education.*—The question of assistance for primary education has already been very carefully considered by the Finance Commission who have recommended grants-in-aid for Madhya Bharat, Rajasthan and PEPSU. Under the Five Year Plan substantial sums have been allotted for development of education in these States.

In dealing with education the Planning Commission have given special attention to backward States. This will appear from the following extract from their report:

“There are grave disparities between different States in the matter of provision of educational facilities. The expenditure on education compared to total revenues and population also varies in different States. The internal distribution of expenditure should be so arranged and Central grants should be so dispensed that at least the serious inequalities between States tend to disappear”.

60. *Medical and Public Health.*—Rajasthan has put forward a considerable programme for the development of medical facilities in the State. Madhya Bharat has asked for Rs. 19.26 lakhs as recurring and Rs. 7 lakhs as non-recurring expenditure on establishment, equipment etc. for the remaining 3 years of the present Plan. PEPSU has asked for a total expenditure of Rs. 49.91 lakhs including Rs. 31 lakhs for the establishment of a Medical College during the remaining 3 years of the present Plan period.

61. The table below will show that these States do not compare unfavourably with other Indian States in the matter of medical facilities. It is an admitted fact that all over India medical and public health services are backward and the Planning Commission have made prominent mention of this in their First Five Year Plan. The Planning Commission have accordingly laid down the principles for the formulation of schemes under this head.

	Population (in lakhs)	No. of Govt. hos- pitals and dispen- saries.	Population served by each hospital/dispensary. (in thousands)
Saurashtra . .	41.37	276	15
Rajasthan . .	152.91	638	24
Madhya Bharat . .	79.54	599	13
PEPSU . .	34.94	128	27
Bombay . .	359.56	1404	26

	Population (in lakhs)	No. of Govt. hospi- tals and dispensaries	Population served by each hospital/dispens- sary. (in thousands).
Orissa . . .	146.46	462	32
Madhya Pradesh . . .	212.48	538	39
Punjab . . .	126.41	601	21
Uttar Pradesh . . .	632.16	911	69
Madras . . .	570.16	1258	45
Bihar . . .	402.26	737	55

62. *Irrigation and Power.*—The Planning Commission have stated: "For the immediate 5 Year period, agriculture including irrigation and Power must in our view have the top most priority. For one thing, this emphasis is indicated by the need to complete projects in hand. But, further, we are convinced that without a substantial increase in the production of food and raw materials needed for industry it would be impossible to sustain a higher tempo of industrial development".

The States of Madhya Bharat, Rajasthan and PEPSU, it is noticed, have irrigation projects of very considerable magnitude on hand under the Five Year Plan. The Bhakra-Nangal Project will benefit both the PEPSU and Rajasthan. The tube-well scheme will bring large areas in PEPSU under irrigation. Indeed, when these two projects get under way PEPSU will have as much as 80% of her agricultural land under irrigation. Certain special concessions have been given to Rajasthan and Madhya Bharat for financing the Chambal project which has been included in the First Five Year Plan. In respect of irrigation therefore the three States have received high priority. Saurashtra, we understand, is ahead of its Five Year Plan irrigation projects. As we have stated earlier further allocations of considerable sums are under consideration by the Planning Commission for Rajasthan and Saurashtra for medium irrigation schemes, especially for protective works in scarcity affected areas.

63. *Roads.*—All the four States have stressed their backwardness in the matter of road communications. Taking into account the total mileage of existing roads to the total area of the States, there is certainly force in the State Governments' contentions. Saurashtra and Rajasthan have however a considerable mileage covered by Railways and this factor has to be taken into account.

Saurashtra has asked for an additional allotment of Rs. 202 lakhs during the present Plan period for the construction of roads which are not provided for in the Five Year Plan.

Both Rajasthan and Madhya Bharat have asked for assistance for the maintenance of their existing roads and the roads that will be constructed in the Five Year period.

PEPSU has asked for assistance to the extent of Rs. 40 lakhs during the remaining 3 years of the present Plan period for construction of roads.

64. The Committee recognize that these States are very backward in road communication and require assistance. It appears, however, that this has been accepted by the Planning Commission. The Commission have worked out an integrated programme for roads, but according to them owing to shortage of material, scarcity of trained men and financial stringency, the programme visualised in the Nagpur Plan has had to be spread over a longer period of years. The following analysis of the *per capita* provision in the Plan for road development shows that the claims of these States have received due consideration:—

	Provision in Five Year Plan for Roads excluding Road Transport.	Per Capita.
	(Rs. in lakhs)	Rs. a. p.
Saurashtra	300	7 5 0.
Rajasthan	400	2 9 9
Madhya Bharat	189	2 5 9.
PEPSU	95	2 11 5.
Hyderabad	129	0 11 0.
Mysore	320	3 8 3.
Travancore-Cochin	150	1 9 9.
Assam	213	2 5 8
Bihar	800	3 5 10.
Bombay	1164	3 3 10.
Madhya Pradesh	200	0 15 1
Madras	500	0 14 0.
Orissa	200	1 5 11
Punjab	75	0 9 6.
Uttar Pradesh	522	0 13 3
West Bengal	1385	5 9 4

65. A part of the *ad hoc* grant of Rs. 3 crores made to these States has already been utilized for road construction. Any acceleration of the Five Year Plan and the inclusion of any new schemes is a matter which we suggest should be discussed with the Planning Commission who, we are assured, will be glad to examine any such requests sympathetically. We are informed that proposals are now immediately under consideration for the grant of further assistance to Rajasthan for their road programme.

66. *Forests.*—The question of forest development has been gone into very carefully in the Five Year Plan because as stated in the Plan "Forests play a vital role in India's economy". The Planning Commission consider that a planned extension of regular forests would be subject to the availability of adequate waste areas and the demands made thereon for agricultural expansion to meet the needs of the ever increasing population. The Commission rightly concluded that the extension of the areas under regular forests would necessarily constitute a long term plan though considerable improvement can be brought about by renovating large areas which though classified as forests have been deforested or have not been properly managed.

The priorities in regard to forest development have been very carefully considered and programme laid out in the Five Year Plan. We give below an analysis of the forest development provision in the Five Year Plan:—

	Provision in Five Year Plan for Forests.	Per Capita.
	(Rupees in lakhs).	Rs. a. p.
Saurashtra	20	0 7 10
Rajasthan	22	0 2 3
Madhya Bharat	50	0 10 0
PEPSU	44	1 4 1
Hyderabad	21	0 1 9
Mysore	8	0 1 5
Travancore-Cochin	60	0 10 4
Assam	36	0 6 5
Bihar	125	0 4 11
Bombay	84	0 3 8
Madhya Pradesh	41	0 3 1
Madras	39	0 1 1
Orissa	13	0 1 5
Punjab	18	0 2 3
Uttar Pradesh	165	0 4 3
West Bengal	79	0 5 1

We consider that any proposal for forest expansion particularly in Rajasthan and in Saurashtra should be discussed by the State Governments with the Planning Commission. We have no doubt that the special needs of these States will receive sympathetic consideration.

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67. *Industry and Trade.*—India as a whole is backward in the matter of Industry and Trade and it cannot be considered that this is a special problem for these States. In any case the item “Industry and Trade” cannot be listed as one falling under the category of “special backwardness” of the States.

68. *Land problems and Land Reforms.*—Saurashtra, Rajasthan and Madhya Bharat have asked for financial assistance mainly in the shape of loans for rehabilitation and resettlement of the Girasdars and Jagirdars etc., whose lands will be taken over by the States under their Land Reform Schemes. Agrarian reform is a policy adopted in most of the States in India and the resultant financial difficulties are being faced by them all. The Central Government has not assisted any State in this regard and we do not consider that the land reform measures present a particular special problem peculiar to these States and deserving a separate and special treatment from the Centre. This is a matter where the State Governments are to depend entirely on themselves. The Land reform schemes will ultimately bring in more revenues to the States’ coffers. We note that in para. 35 of Part I of

their Report the Indian States Finances Enquiry Committee made the following observations:

"We find it necessary, however, to sound a note of warning. Representatives of the Government of States who met us referred to plans prepared in their States for prohibition, abolition of Jagirs etc., for implementation in the near future. We hold the view that the Governments concerned should proceed in these matters with caution. We are convinced that for a number of years their finances cannot bear the losses of revenue involved and, as has been pointed out by the Government of India to Provinces, the execution of such policies will defeat the efforts now being made to check inflation".

69. *Local Self Government*.—The assistance which the State Governments have put forward as their minimum requirement to develop the field of Local Self Government is as follows:—

Saurashtra	Grants Rs. 25 lakhs p. a. and loans Rs. 40 lakhs p. a. for 7 to 8 years.
Rajasthan	Rs. 1083.79 lakhs for 8 years.
Madhya Bharat	Rs. 25 lakhs p. a. for the first 3 years.
PEPSU	Rs. 117.70 lakhs for the first 3 years.

We have given very careful consideration to this subject. The whole problem of the setting up of Local Self Government Institutions is a very difficult one. In the Part A States the development of Local Self Government was very slow and as late as 1951 the Local Finance Enquiry Committee had occasion to point out how Local Self Governing Institutions were still not functioning properly. We think that an examination of the whole problem of Local Self Governing Institutions should be undertaken by the State Governments on the lines suggested by the Local Finance Enquiry Committee. This Committee has had occasion to examine the whole question comprehensively and has made detailed suggestions on all aspects of working of Local Self Government Institutions. New Institutions of this nature have recently been created in other States. So far as assistance is concerned we are doubtful if financial help for the functioning of Local Self Government Institutions can really be considered as forming part of the special assistance for development which we are required to examine. In our view the allocation of revenue to these institutions will have to be either from specific sources of taxation or from grants or loans made by the State Governments. We notice also that the question of local finance comes within the purview of the Taxation Enquiry Commission.

70. *Famine*.—Both in their memoranda and in personal discussions, the Saurashtra and Rajasthan Governments have laid particular stress on the special problems of these two States arising out of the liability of these States to famine conditions. Saurashtra have stated that every third year is a lean year for the State. The main reason for the depletion of the reserves of the State is said to be the prevalence of famine conditions of acute severity after integration. Rajasthan Government have stated that on an average in a cycle of ten years, there is one year in which there is widespread failure of rains throughout the State, and that there is partial failure of rains in every two or three years. Saurashtra had to spend about Rs. 1.65 and Rs. 3.15 crores respectively on relief works in the two famines of 1948-49 and 1951-52. It was stated that during the current year

also, about 336 villages have been declared as scarcity villages and 734 villages as "semi-scarcity" areas. The Rajasthan Government have stated that during the last four years their total expenditure on relief measures, exclusive of taccavi loans, amounted to about Rs. 220 lakhs.

71. The liability of these States to repeated famine conditions is mainly due to their geographical position. This subject therefore does not come strictly within the purview of the Committee's terms of reference; nevertheless the issue is one of very great importance to these States and the Committee have therefore thought it appropriate to add their comments. Famine due either to inadequacy of rains or to floods, is a common feature in several States in India including the Part A States. This is an all-India problem and has to be tackled on an all-India basis through the agency of the Planning Commission. The Government of India have already recognised the seriousness of the problem in Saurashtra and have appointed a special Committee to investigate into the causes thereof. The Five Year Plan has also taken note of this problem. One of the important features of the Plan is the provision of a sum of Rs. 15 crores in order to avoid adverse effects on the implementation of the Plan on account of scarcity. We are strongly of the view that there should be some plan under which the States (and this will apply to all States) can be given assistance to tide over periods of difficulty due to scarcity conditions which it is beyond their resources to meet. We are glad to note that the Planning Commission has taken note of this. We also understand that some of the additions to the Plan which will be made shortly are for the purpose of permanent anti-scarcity works in these areas. We think that there is no better remedy to eliminate permanent scarcity conditions than maximum development of irrigation facilities in the regions concerned.

72. *Backward Classes*.—Rajasthan and PEPSU, particularly the former, have stressed the problem of the "Backward Classes" in the States. It has been stated that in Rajasthan about 60 per cent. of the total population is composed of Scheduled Tribes, Scheduled Castes and other Backward Classes and that these present a special problem for the development for these people. The Rajasthan Government have stated in their memorandum that the estimated expenditure on the various schemes contemplated for the development of these classes during the period 1953-56 is Rs. 139.70 lakhs. These schemes include hostels for students, grants-in-aid to voluntary associations for developing educational and other facilities, scholarships, irrigation facilities, drinking water facilities, medical aid, cottage industries etc., etc. It may be noted that almost all these services are covered by some scheme or other included in the Five Year Plan or other non-Plan schemes of development of the State Government.

73. The Government of PEPSU have stated that the population of the Scheduled castes in the State, according to the 1951 census, is 6,76,302 which works out to 19.5% of the total population. The Government, it has been stated, is already spending considerable amounts for the amelioration of these people, but an additional Rs. 8 lakhs will be required during 1953-54 to 1955-56 for granting stipends to the backward classes students and another Rs. 4.5 lakhs for establishing vocational training centres for them. The problem of "Backward classes" is now being tackled on an all-India basis by the Backward Classes Commission. We do not therefore consider it necessary to make any recommendations on this point.

CHAPTER VII

TAXATION EFFORTS OF THE STATES

74. Our terms of reference prescribe that we should make recommendations regarding any financial and technical assistance still required by these States to enable them to attain a reasonable standard of development, after taking into account the efforts made by the State Governments to increase their available resources by additional taxation. Briefly, the position in regard to taxation is as follows:—

Saurashtra.—In their 5 Year Plan it was estimated that the Saurashtra Government would raise additional revenue of Rs. 4·7 crores during the present Plan period by additional taxation under the following heads:—

(Rs. in Crores.)	
Estate Duty	1·0
Additional revenue from land	2·5
Increase in yield in Sales Tax	1·0
Taxes on luxuries etc.	0·2
	<hr/>
	4·7

In regard to the above items, the Estate Duty Bill has just been passed by the Parliament and it was therefore not possible for the Saurashtra Government to derive any revenue from this source so far. As regards additional revenue from Land, the Saurashtra Government have stated that the incidence of land revenue in the State is already very high and that it is not possible to increase it any further at the present moment. As regards increasing the Sales Tax, the Sales Tax Act was introduced in the State in 1950 covering 12 selected items at the rate of 6 pies per rupee. In 1952 the scope of this tax was enlarged and it is estimated that it will now bring in an additional revenue of about Rs. 45 lakhs per annum. In addition, the rate of motor spirit sales tax has also been raised from 2 annas to 4 annas per gallon.

The State Government have also enhanced the rates of entertainment tax by 50% and have improved the taxation regarding motor vehicles tax, stamp duties and court fees.

It was noticed in the Finance Commission's Report that the *per capita* incidence of taxation in Saurashtra was high. Taking however, all relevant factors into account the Finance Commission remarked that "in the case of Saurashtra there appears to be some scope for the State to improve its revenue position".

In their memoranda and also in personal discussions, the State Government stressed that the rural population in the State was already very heavily taxed and that in their efforts to rationalise the tax structure and equalise the tax burden, the incidence of taxation on the urban population has increased steadily from 3·8 to 17·6 *per capita*. The State Government was therefore of the view that it

would not be possible to ask the urban tax payer to agree to any considerable increase in his total assessment by way of imposition of local taxes. The Saurashtra Government propose to impose betterment charges when irrigation facilities are made available to the cultivators.

Rajasthan.—A senior officer of the Government of India was sent to the State in 1951 to suggest measures for improving the financial position of the State. This Officer, after a detailed on-the-spot enquiry and discussions with the officers of the State Government, made certain recommendations both for increasing the revenue and for reduction of expenditure. The State Government have taken certain measures for improving its revenue from taxation but the effect of these measures will be felt in some cases from the current financial year and in others e.g., Agricultural Income Tax and Sales Tax, from the next year.

The Rajasthan Government had agreed to raise additional revenue of Rs. 4.1 crores over the 5 year period. The measures so far taken by them will bring in an additional revenue of between Rs. 35 to Rs. 40 lakhs per annum. There has also been some improvement in the yield from existing sources.

Madhya Bharat.—The Madhya Bharat Government expected to raise an additional revenue of Rs. 4 crores by additional taxation during the 5 Year Plan period by tapping the following sources:

- (i) Surcharge on Land Revenue;
- (ii) Estate Duty;
- (iii) Stamp and Entertainment taxes;
- (iv) Fees on transfer of immoveable property.

The first item has been postponed by the State Government for the present. The second item, i.e., Estate Duty, will be levied as the necessary Act has now been enacted by Parliament. The proposal for revision of court fees has also been abandoned and the entertainment tax bill is still at the Select Committee stage. Registration fees have, however, been enhanced by 50 per cent recently.

As regards item (iv), i.e., fee on transfer of urban immoveable property, this is still under consideration of the State Government. The State Government have, however, decided to adopt the following taxation measures during the current financial year (1953-54) which will yield a total revenue of only Rs. 10.6 lakhs per annum.

	Rs. lakhs
(i) Revision of water rates	5
(ii) Increase in Sales tax on petrol	5
(iii) Increase in Registration fee by 50%	0.60

The question of switching over from single point Sales Tax to multi-point Sales Tax is under consideration of the State Government and the additional revenue expected from the measure is about Rs. 55 lakhs.

PEPSU.—It was noticed that there was a gradual increase in the receipt from General Sales Tax since 1950-51 and that the tax on motor spirit was enhanced from 1 anna 3 pies per gallon to 3 annas per gallon from April 1949. Otherwise there has been no change in the tax structure of the State since integration.

75. The important suggestions made by the Committee were:

- (i) that, since the rates of land revenue were fixed several decades back there was room for increasing it; and that, pending a systematic settlement an *ad hoc* surcharge might be imposed immediately, to be absorbed later when land revenue is increased as a result of settlement;
- (ii) that betterment levies should invariably be made when irrigation facilities are extended to unirrigated lands; and
- (iii) that large irrigation schemes such as Bhakra-Nangal and Chambal should have water rates fixed so that with the help of betterment levies the schemes are made productive.

The State Governments thought these suggestions practicable and have promised to examine them.

76. The Committee note that the Taxation Enquiry Commission will investigate fully into this matter and make recommendations both on the modifications required in the present system of taxation and on fresh avenues of taxation. The Taxation Enquiry Commission will consider Central, State and Local taxation. The Committee have not therefore thought it necessary to go into this matter in any detail.



CHAPTER VIII

RECOMMENDATIONS

77. The brief analysis which we have attempted of the position in regard to the various matters in the Part B States will, we think, establish fairly conclusively that so far as the developmental requirements are concerned these have been considered in the framing of the Five Year Plan by the Planning Commission. There are some long term projects to which the States naturally attach particular importance. Prominent among these are the proposals for contour bunding which the Saurashtra Government have included as part of their Agricultural programme and the afforestation programme as laid down by the Government of Saurashtra in respect of which they feel that the provision under the Five Year Plan does not enable them to progress fast enough. Similar programmes of other States will also require consideration but we feel, as we have pointed out above, that the most appropriate method of preparing phased programmes for implementing these requirements will be in consultation between the State Governments and the Planning Commission. While there may be shortcomings in certain directions, it seems that taking an overall picture, the general backwardness of these States in regard to development has been adequately taken into account by the Planning Commission. This is only to be expected because the Planning Commission was charged with the duty of assessing not only the backwardness but also the much bigger responsibility of preparing developmental schemes which are intended to bring to fruition the objectives set out in the Constitution of India.

78. Nevertheless we feel that having regard to the background of the problems which the State Governments had and to their peculiar difficulties, a certain amount of initial financial help is still necessary and that this should be given to them by the Centre. In this respect these four States must be considered in a somewhat different position from the other States who have had comparatively simpler tasks to face.

79. In fixing the Central assistance for these States the Planning Commission has taken into account the question of the special assistance which they require. The question of what proportion of the Central assistance is to be given as grant has not yet been decided. A sum of Rs. 3 crores has already been allocated under clause (1) of the Federal Financial Integration Agreement as a grant to these States and this sum has been included in the Central assistance to be given to these States under the Five Year Plan. Also, in the case of Saurashtra, we understand that, on account of certain special circumstances, a sum of Rs. 2 crores is to be treated as grant.

80. In view of the special circumstances of these States and their need for financial assistance in the initial stages we recommend that out of the Central assistance which has been envisaged in the Five Year Plans of these States an amount of Rs. 4 crores (in addition to

whatever amounts the Government of India have so far decided to allot in the shape of grants) should be treated as outright grant. This may be distributed among the States as follows:—

Saurashtra	Rs. 100 lakhs
Madhya Bharat	Rs. 100 „
Rajasthan	Rs. 150 „
PEPSU	Rs. 50 „
	<hr/>
	Rs. 400 „

81. There is one more direction in which we think the States deserve some assistance. They have represented that they are short of administrative buildings inclusive of Police buildings and some of the States have brought forcefully to our notice that they lack in certain essential directions, namely, link roads, public health services in rural areas etc. We recommend, therefore, that a sum of Rs. 4 crores should be given to these States as an *ad hoc* grant during the next two years allocated as follows:—

Saurashtra	Rs. 90 lakhs
Madhya Bharat	Rs. 100 „
Rajasthan	Rs. 150 „
PEPSU	Rs. 60 „
	<hr/>
	Rs. 400 „

This amount is to be in addition to the assistance which the States have so far received from the Government of India in various directions and is to be spent on plans approved by the Centre but formulated by the States themselves having regard to their individual requirements. We also recommend that, if any balance of this amount remains unspent at the end of the two year period, it should not be allowed to lapse but should be made available in the subsequent period also on the same conditions as before.

82. These recommendations are to be regarded as an *ad hoc* measure of immediate assistance which is not to be treated in any way either as a precedent for these States later or as a precedent for other States. In future these States will take their place along with others in matters of development and no further claims for financial assistance under Clause (1) of the Federal Financial Integration Agreement should be entertained.

83. We also wish to make the following recommendations with a view to strengthening the administrative machinery of the State Governments:—

- (i) Each of the States may be provided with two senior officers, one specially competent to deal with general administration and the other with development, so that their services may be utilised as Chief Secretary and Development Commissioner respectively.
- (ii) In the initial stages of planning and development, in each of these States a Planning and Development Board may be

entrusted with Planning and implementation of the Plan, the relation of the Board to the State Government being analogous to that of the National Planning Commission to the Central Government and one member of the Board being nominated in consultation with the National Planning Commission.

84. The Committee wishes to place on record its high appreciation of the services rendered by Shri C. Ganesan, the Secretary, Shri B. B. Chakravorty, the Section Officer, and the other members of the Staff. Shri Ganesan's knowledge of matters connected with the Part B States both during the process of their formation and ever since their integration has been of great benefit to the Committee.

N. V. GADGIL, *Chairman*

S. V. RAMAMURTY, *Member.*

BIMAL C. GHOSE, *Member.*

C. GANESAN, *Secretary.*

NEW DELHI;

Dated the 30th October 1953.



APPENDIX I

[Reference Paragraph 1]

GOVERNMENT OF INDIA, MINISTRY OF STATES RESOLUTION No. 66-SF/53,
DATED THE 28TH APRIL, 1953.

The agreement entered into under Articles 278, 291, 295 and 306 of the Constitution with four of the Part B States, namely, Saurashtra, Rajasthan, Madhya Bharat and Patiala and East Punjab States Union, provide for the Government of India undertaking a systematic enquiry into the special needs of these States with a view to rendering financial and technical assistance to them. The question of instituting this enquiry has been under the consideration of Government for some time and it has been decided to entrust this enquiry to a Committee consisting of—

Chairman

Shri N. V. Gadgil, M.P.

Members

Shri Bimal Comar Ghose, Member, Council of States.

Shri S. V. Ramamurty, Programme Administration Adviser,
planning Commission.

Shri C. Ganesan, Deputy Secretary, Ministry of States, will be the Secretary to the Committee.

2. The terms of reference of the Committee are—

- (a) to review the results of the progress made in the internal integration of the administration and services in these States and the problems, financial and technical, if any, created for them by such integration;
- (b) to enquire into the developmental needs of these States; and
- (c) to make recommendations regarding any financial and technical assistance still required by these States to enable them to attain a reasonable standard of development, taking into account
 - (i) the efforts made by the State Governments to increase their available resources by additional taxation;
 - (ii) the assistance envisaged in the Five Year Plan to these States and the extent to which their special circumstances have been taken into account in fixing the quantum of such assistance; and
 - (iii) the additional resources made available to them under the recommendations of the Finance Commission.

It shall not be open to the Committee to consider or recommend any modifications in the agreements entered into with these States as a result of Federal Financial Integration.

3. The Committee is expected to start its work early in May and complete it in about four months' time.

4. The headquarters of the Committee will be at New Delhi but the Committee will be free to visit such places as it may consider necessary for the purposes of its work.



APPENDIX II

[Reference Paragraph 3]

PRESS NOTE DATED THE 13TH MAY 1953 ISSUED BY
THE PART B STATES (SPECIAL ASSISTANCE) ENQUIRY COMMITTEE

As already announced a Committee has been set up with Shri N. V. Gadgil, M.P., as Chairman and Shri S. V. Ramamurty and Shri B. C. Ghose as Members to enquire into the special problems of the Part B States of Saurashtra, Madhya Bharat, Rajasthan and PEPSU. The Committee's work will consist of

- (1) a review of the results of the progress made in the internal integration of the administration and services in these States and the problems, financial and technical, if any, created for them by such integration;
- (2) an enquiry into the developmental needs of these States; and
- (3) recommendations regarding financial and technical assistance still required by these States to enable them to attain a reasonable standard of development, taking into account
 - (a) the efforts made by the State Governments to increase their revenue resources;
 - (b) the assistance envisaged in their Five Year Plan and the extent to which their special circumstances have been taken into account in fixing the quantum of such assistance; and
 - (c) the additional resources made available to these States under the recommendations of the Finance Commission.

Before making their recommendations, the Committee would welcome the views of all who may be interested in its work and might have made a special study of the questions involved. The views may be set forth in a written memorandum and if possible 6 copies thereof may be sent to the Secretary, Part B States (Special Assistance) Enquiry Committee, Room No. 156-B South Block, Central Secretariat, New Delhi on or before 20th June 1953.

APPENDIX III

[Reference Paragraph 3]

Communications addressed to the State Governments.

I

LETTER No. F. 1-SAEC/53, DATED THE 1ST MAY 1953 FROM THE SECRETARY, PART B STATES (SPECIAL ASSISTANCE) ENQUIRY COMMITTEE TO THE FINANCE SECRETARIES TO THE GOVERNMENTS OF SAURASHTRA/RAJASTHAN/MADHYA BHARAT/PEPSU.

I am directed to enclose for the information of the State Government a copy of a Resolution No. 66-SF/53, dated the 28th April 1953, issued by the Government of India in the Ministry of States, appointing a Committee to enquire into the special problems of the four Part B States of Saurashtra, Madhya Bharat, Rajasthan and PEPSU in accordance with clause (1) of the Federal Financial Integration Agreements with these States.

2. The detailed programme of the Committee will be sent to you in due course. Meanwhile, I am to request that the following material may kindly be sent for the use of the Committee as early as possible and in any case by the 25th of this month:

Six complete sets of the following documents and papers:

- (1) Documents submitted by the State Government to the Finance Commission;
- (2) the Development Plans submitted by the State Government from time to time to the Planning Commission together with a Memorandum explaining the modifications made by the Planning Commission in these Plans;
- (3) a self contained Memorandum containing—
 - (i) a review of the results of the progress in the integration of the administration and services in the State, and the problems, financial and technical, if any, created by such integration;
 - (ii) the efforts made by the State Government to augment their available resources by additional taxation;
 - (iii) the details of the assistance, both financial and technical, over and above that given by the Finance Commission or envisaged in the Five Year Plan which the State Government consider necessary to raise the State from its present alleged backward position and the phasing of this assistance over—
 - (a) the three years ending 31st March 1956 which will cover the remaining portion of the Five Year Plan; and
 - (b) the period thereafter for which provision, if any, will have to be made in the next Five Year Plan.

3. The receipt of this letter may kindly be acknowledged.

(II)

LETTER NO. F. 1-SAEC/53, DATED 22ND MAY 1953 FROM THE SECRETARY, PART B STATES (SPECIAL ASSISTANCE) ENQUIRY COMMITTEE TO THE FINANCE SECRETARIES TO THE GOVERNMENTS OF SAURASHTRA/RAJASTHAN/MADHYA BHARAT/PEPSU.

I am directed to refer to my letter No. F. 1-SAEC/53, dated the 1st May 1953 and to say that in addition to the material already asked for the following further information may kindly be forwarded at your earliest convenience preferably before 15th June next. As the time at the disposal of the Committee is short it will facilitate its work if the information is forwarded as and when it is collected.

A. *Administrative set up.*

1. *Secretariat and Headquarters Organisations viz., Heads of Departments etc.* (separate figures to be given in respect of each Department).

Number of gazetted officers.

Number of clerks.

Number of other non-gazetted staff.

Number of class IV servants.

2. *District Organisation.*

Number of districts.

Average area, population and income of a district.

Number of gazetted officers.

Number of clerks.

Number of non-gazetted staff.

Number of class IV servants.

3. *Village Organisation.*

Panchayats—their organisation.

B. *Public Services.*

1. *Education.*

Number of educational institutions under various categories, such as, Primary, Secondary, Higher Secondary, Collegiate, technical etc., and total number of students as on 1st April 1953 or the latest date upto which the information is readily available.

2. *Medical and Veterinary.*

Total number of hospitals and dispensaries as on 1st April 1953 or the latest date upto which the information is readily available.

3. *Irrigation.*

Total commanded area and actual area under irrigation as against the total acreage of cultivated land.

4. *Communications.*

Total road mileage under various categories, such as, National Highways, All-Weather roads and Fair-weather roads.

LETTER NO. F. 1-SAEC/53, DATED THE 22ND/23RD MAY 1953 FROM THE SECRETARY, PART B STATES (SPECIAL ASSISTANCE) ENQUIRY COMMITTEE TO THE CHIEF SECRETARIES TO THE GOVERNMENTS OF WEST BENGAL/BIHAR/ORISSA/BOMBAY/MADRAS/MADHYA PRADESH/UTTAR PRADESH/PUNJAB/ASSAM.

I am directed to forward for your information a copy of the States Ministry's Resolution No. 66-SF/53, dated the 28th April 1953 appointing a Committee to enquire into the special problems of certain Part B States. The Committee's work involves a comparative study of the standards of public services and administration in the different States in India. The Committee would therefore be most grateful if the following information in respect of the State could kindly be supplied to it at as early a date as possible preferably before the 15th of June next. As the time at the disposal of the Committee is short it will facilitate its work if information is kindly furnished to the undersigned as and when it is collected to enable the Committee to proceed with the study, compilation and analysis of the material thus received.

A. Administrative set up.

1. Secretariat and Headquarters Organisation.

Number of gazetted officers.

Number of clerks.

Number of other non-gazetted staff.

Number of class IV servants.

2. District Organisation.

Number of districts.

Average area, population and income of a district.

Number of gazetted officers.

Number of clerks.

Number of other non-gazetted staff.

Number of class IV servants.

3. Village Organisation.

Panchayats—their organisation.

B. Public Services.

1. Education.

Number of Educational institutions under various categories, such as, Primary, Secondary, Higher Secondary, technical etc. and total number of students as on 1st April 1953 or any latest date upto which the information is readily available.

2. Medical and Veterinary.

Total number of hospitals and dispensaries as on 1st April 1953 or any latest date upto which the information is readily available.

3. *Irrigation.*

Total commanded area and actual area under irrigation as against the total acreage of cultivated land.

4. *Communications.*

Total road mileage under various categories, such as, National Highways, All-weather roads and Fair-weather roads.

(IV)

LETTER No. F. 1-SAEC/53, DATED THE 1ST JUNE 1953 FROM THE SECRETARY, PART B STATES (SPECIAL ASSISTANCE) ENQUIRY COMMITTEE TO THE CHIEF SECRETARIES OF PART A STATES AND THE FINANCE SECRETARIES TO THE GOVERNMENTS OF RAJASTHAN/SAURASHTRA/MADHYA BHARAT/PEPSU.

In continuation of my letter No. F. 1-SAEC/53, dated the 22nd May 1953 on the subject mentioned above, I am directed to request that information in respect of the following may also kindly be furnished as early as possible, but not later than 15th June 1953.

Agriculture:

Area brought under cultivation and increase in production in the last three years.

Forests:

- (1) Total Area under Forests.
- (2) Measures adopted for improvement of forests.
- (3) Place of forests in the economy of the State.

Veterinary:

- (1) Approximate Cattle population.
- (2) Condition of Live-stock and its position in the rural economy.
- (3) Arrangements for veterinary services, such as number of veterinary hospitals and dispensaries, etc.

APPENDIX IV

[Reference Paragraph 4]

DATES OF VISITS TO THE STATES AND DISCUSSIONS WITH STATE GOVERNMENTS.

Saurashtra.
Madhya Bharat.
P.E.P.S.U.
Rajasthan.

Dates.
27th June to 1st July 1953.
13th July to 19th July 1953.
22nd July to 24th July 1953.
27th July to 31st July 1953.



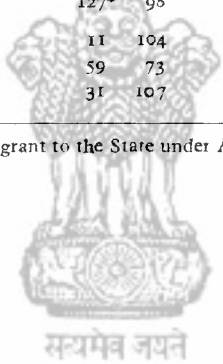
APPENDIX V

[Reference Paragraph 25]

STATEMENT SHOWING FINANCIAL ASSISTANCE GIVEN BY THE CENTRAL GOVERNMENT TO THE GOVERNMENTS OF PART B STATES

Name of State	Year	Grant-in-aid	Loan	Share of divisible pool of Central taxes or revenue- gap grant whichever is greater.	Total assistance
(Rs. in lakhs)					
Rajasthan . . .	1950-51	52	67	8	127
	1951-52	88	85	45	218
	1952-53	82	202	299	583
Madhya Bharat . . .	1950-51	25	34	6	65
	1951-52	62	18	6	86
	1952-53	79	102	136	317
Saurashtra . . .	1950-51	61	117	250	428
	1951-52	81	29	300	410
	1952-53	127*	98	275	500
PEPSU . . .	1950-51	11	104	16	131
	1951-52	59	73	15	147
	1952-53	31	107	58	196

* Includes Rs. 40 lakhs as grant to the State under Article 275(r) of the Constitution.



APPENDIX VI

[Reference Paragraph 31]

ANALYSIS OF ASSISTANCE REQUIRED BY THE STATE GOVERNMENTS AS SET OUT IN THEIR MEMORANDA TO THE COMMITTEE

Saurashtra

The Saurashtra Government have pointed out that the defects in the economic structure which they want to remedy are the outcome of an artificial and backward economic system and the peculiar nature of the investments made by the former States. They have not put forward any specific proposals for Central assistance. They have stated that they recognise that the resources of the Centre are not unlimited and that the Centre has to take into account, in treating the case of Part B States, the general economic level of the people of India as a whole and both the normal and the abnormal conditions prevailing in different parts of India. The State Government have accordingly set down the requirements of the Saurashtra State, particularly the developmental requirements, in some detail together with the finances that will be necessary to give effect to the programme of development which they contemplate.

The priorities as indicated by the State Government are as under:

1. The most urgent necessity is the development of agriculture, irrigation, forests, roads and power.
2. They give second priority to (i) resettlement of petty giras-dars, backward classes, maldharis, (ii) municipal services and (iii) public health and other ancilliary social services.
3. Third priority is given to Animal Husbandry, Industry and Trade and other development activities.

In assigning these priorities the State Government have not referred to the Plan, because in their view the Plan must be completed from out of the finances reserved for it.

The financial requirements for completing the developmental proposals in various directions as envisaged by the State are as follows:—

	Rs. in lakhs
<i>Administrative Buildings</i>	
Cost of providing minimum accommodation for a Secretariat building at Rajkot, sub-divisional headquarters, Police buildings, and other administrative buildings	280
<i>Land Revenue and Land Reforms</i>	
(a) Cost of completing a proper survey and settlement	80
(b) Additional cost of maintaining proper land records	12
(c) Loans to Girasdars' tenants in order to enable them to pay six times the assessment for acquiring occupancy tenancy rights in the former Girasdari areas	150
(d) Resettlement loans for Girasdars and Barkhalidars	100

Rs. in lakhs

Agriculture

The programme of assistance to the cultivators for contour and block bunding.

Taqavi	562.50	} Over a period of 15 years.
Subsidy	337.50	
Subsidy for improved seed schemes	48.8	Over a period of 10 years.

Irrigation

Canal irrigation Schemes	1288	Over a period of 7 years.
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In addition to the provision made in the first Five Year Plan and the provision expected to be made in the second Five Year Plan.

Subsidy for the construction of wells.	320	Over a period of 8 years.
Reclamation schemes on cultivable land near the sea-coast.	98	Over a period of 7 years.

Forests

Forest Development	844	Over a period of 20 years.
	plus 288	Over the subsequent period of 10 years.
Coastal afforestation.	60	Over a period of 10 years.
Roads.	1190	Over a period of 8 years.

Local Bodies

Grants to local bodies.	200	Over a period of 8 years.
Loans to local bodies.	320	Over a period of 8 years.

Revision of pay scales

Extra expenditure involved in bringing up the pay scales to

- (a) Bombay standard. about 217 per annum.
 (b) Central Government standard. about 282 per annum.

NOTE : The State Government have also stated in their memorandum that assistance from the Centre will be necessary if they are to achieve the targets laid down in the first Five Year Plan.

Madhya Bharat

The increased commitments of the State for the three years 1953-54 to 1955-56 which cannot be met from their own resources but for which assistance is required from the Centre are given in the following statement.

The Madhya Bharat Government state that for this period they would require financial assistance of the extent of Rs. 22.24 crores plus Rs. 55.9 lakhs by way of loan and also a loan of Rs. 5.8 crores for financing the Chambal project.

Heads.	For 3 years 1953-54 to 1955-56
	(Rs. in lakhs)
1. Survey and Resettlement operations	2.50
2. Rehabilitation grants and compensation to Zamindars and Jagirdars, consequent upon the abolition of Zamindari and Jagirdari	568.00
3. Reorganisation of Motor Vehicles Department.— Equipment	3.06
4. Increase in the cadre of I. A. S. and I. P. S.	3.87
5. Revision of pay scales	600.00
6. Travelling and contingent expenditure	13.92 (13.50 non-recurring)
7. Judicial Department— Purchase of books and stationery	10.44 (9.90 non-recurring)
8. Jails Department— Setting up of Agricultural and Industrial Settlements and Reformatory for "criminal tribes"	23.67
9. Police Department.— Purchase of motor cars, expansion of fire brigades, chowkidari establishment, wireless, purchase of arms, scientific laboratory etc.	134.03
10. Stationery and Printing.— Establishment of Presses	20.15
11. Maintenance of existing irrigation projects	15.00
12. Education—expansion of normal activities by 15% every year to meet increasing demands	76.40
13. Increase in Staff of the Medical Department. Equipment, furniture and fitting. Increase in grants under medicines etc. Increase due to taking over of 47 jagir dispensaries. Research work. Opening of 2 T. B. hospitals—at Indore and Ujjain, and appointment of officers and staff for the Public Health Department.	26.26
14. Expansion of Gwalior Leather Factory and Tannery	6.40
15. Expansion of the Gwalior Engineering Works	6.00
16. Expansion of the Gwalior Potteries	26.25
17. Additional requirement for maintenance of roads and buildings	105.00
18. Grants-in-aid to Municipalities	75.00
19. Buildings	374.49
20. Shortfall in the estimates of provision for financing the Five Year Plan	337.00
	TOTAL
62 M. of S.—4	2427.44

The State Government have stated that during the 3 years, 1953-54 to 1955-56, they would require financial assistance to the extent of Rs. 22.24 crores plus Rs. 55.9 lakhs by way of loan and also a loan of 5.8 crores for financing the Chambal Project. The State Government's calculation is based on the assumption that revenue during this period excluding what they would get according to the Finance Commission's recommendations would amount to Rs. 32.30 crores against an expenditure of Rs. 54.54 crores excluding expenditure on Five Year Plan. The net deficit thus comes to Rs. 22.24 crores.

For the five year period after 1955-56 the State Government's requirement of financial assistance is estimated at Rs. 23.59 crores.

P.E.P.S.U.

The details of the schemes in respect of which the PEPSU Government have asked for assistance from the Central Government are enumerated below:—

Heads	For 3 years 1953-54— 1955-56	For next 5 years	Total
I	2	3	4
(Rs. in lakhs)			
I. <i>General Administration.</i>			
Construction of Buildings for office accommodation and residences	75.54	118.26	193.80
II. <i>Agriculture.</i>			
Adding B. Sc., (Agr.) classes to the present college at Faridkot along with a laboratory	6.38	6.28	12.66
III. <i>Roads.</i>			
Construction of Roads (435 miles)	40.00	286.35	326.35
IV. <i>Local Self Government.</i>			
1. Public Health	5.82	...	5.82
2. Public Works	69.27	...	69.27
3. Water Supply	42.61	...	42.61
V. <i>Public Health.</i>			
1. Maternity and child welfare centres (6)	0.18	2.90	3.08
2. Construction of 20 new buildings for maternity and child welfare centres . . . . .	...	10.00	10.00
3. Vital Statistics	0.54	1.00	1.54
4. Environmental Hygiene	2.00	2.60	4.60
5. Leprosy	0.40	6.65	7.05
VI. <i>Medical Services.</i>			
1. Opening of rural dispensaries (44)	2.07	2.99	5.06
2. Construction of new (60) and standardisation of old buildings (31)	13.72	22.00	35.72
3. Medical College (1)	31.00	42.00	73.00

I	2	3	4
(Rs. in lakhs)			
VII. Veterinary Services.			
1. Veterinary Hospitals (100) . . . . .	...	15.00	15.00
2. Veterinary Education and Training School(I)	0.29	0.41	0.70
3. Construction of 200 Veterinary hospitals and dispensaries	21.25	15.00	36.25
VIII. Education.			
1. Primary Education—opening of 950 Schools	7.55	75.08	82.63
2. Compulsory primary education	8.00	18.70	26.70
3. Basic Education (Conversion of 2500 Primary Schools into basic Schools)	8.00	30.00	38.00
IX. Backward Classes.			
1. Stipends to backward classes children	8.00	...	8.00
2. Vocational Training Centres (12)	4.50	7.50	12.00
X. Industries.			
1. Labour housing	5.00	20.00	25.00
2. Central Cycles Parts Workshop, Malerkotla	2.00	5.00	7.00
3. Sewing Machinery Parts Workshops, Bassi	3.00	2.00	5.00
4. Finishing Plant and Handloom Industry . . . . .	...	5.00	5.00
5. Bone Meal Factory, Rajpura . . . . .	...	4.00	4.00
6. Polytechnic School, Patiala	2.25	6.60	8.85
TOTAL	359.37	705.32	1064.69

Rajasthan

The estimate of the Rajasthan Government of the expenditure involved in carrying through development schemes calculated to remove their backwardness will be found in the following statement. The State Government have not put forward any definite proposals for Central assistance.

Particulars	for 3 years 1953-54— 1955-56	for the next 5 years	Total
I	2	3	4

(Rs. in lakhs)

1. Land Administration and Land Reforms.

Expansion of Board of Revenue—opening of training schools for officers of Rajasthan Administrative service and Rajasthan Tehsildar Service, completion of Settlement Operations, construction of Patwarkhanas training schools for Kaminogoes and loan to Jagirdars for rehabilitation	407.60	156.75	564.35
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1	2	3	4
<hr/>			
2. <i>Famine.</i>	(Rs. in lakhs)		
Average expenditure on Famine amounts to Rs. 55.00 lakhs a year and if the loss of about Rs. 40.00 lakhs is added on account of remissions the amount comes to Rs. 95.00 lakhs. The annual appropriation to the Famine Relief Fund from general revenues is Rs. 30 lakhs and if Rs. 15.00 lakhs' as contribution to the Revenue Equalisation Fund, newly constituted, is added to it the balance of assistance required comes to Rs. 50.00 lakhs per annum. This is exclusive of the heavy amounts required for Protective works or for grant of taqavi loans			
	150.00	250.00	400.00
3. <i>Agriculture, Veterinary and Animal Husbandry.</i>			
Sinking of wells, pumping sets, agricultural college and laboratory, seed multiplication farms, fruit and vegetable farms, award of prizes, distribution of fertilizers, mechanical cultivation and land reclamation, agricultural workshops, publicity organisation, compressors, cattle breeding farms, purchase and breeding of bull calves, buffaloes, he-goats, opening of Veterinary hospitals, dairy farms, training schools, key village and gosadan scheme, veterinary laboratory, mass immunisation of cattle, opening of new dispensaries etc.			
	583.62	608.50	1192.12
4. <i>Irrigation</i>			
Minor irrigation works, Banas Pibala pura project, restoration and improvement of existing tanks, etc. (there is a large number of old tanks which need resuscitation)			
	400.00	684.80	1084.80
5. <i>Forest.</i>			
Reconnaissance survey of waste land and grass land, demarcation and settlement, Plantation working plans, rehabilitation of Bhils, construction of roads and buildings, contribution towards the cost of desert research station, Jodhpur, training of foresters, training of gazetted officers and rangers, fencing for demonstration and for protection of coupes, supply of survey instruments, camp equipment, motor vehicles, etc.			
	106.42	189.97	296.39
6. <i>Roads, Buildings and Public Gardens.</i>			
Construction of new roads, increased grant for maintenance of existing roads, construction of administrative buildings and residential buildings, improvement of gardens			
	300.00 (Roads)		
	360.00 (Buildings)		
	15.00 (Gardens)		675.00

1	2	3	4
(Rs. in lakhs)			
7. Transport.			
Capital for nationalisation of road transport on selected routes	100.00	..	100.00
8. Education.			
Expansion of primary education, upgrading of primary schools to middle schools, construction of buildings, supply of furniture and equipment for primary and secondary schools and colleges to cope with the increased number of students	232.17	273.55	505.72
9. Medical and Public Health.			
Rural Medical relief and reorganising the rural services in the health units, improvement of sanitation in rural areas, control of epidemics, remodelling and upgrading of existing District hospitals, health education, hygiene publicity, control of other communicable diseases, training of sanitary inspectors, training of medical officers in public health, control over purity of food and drugs, nutrition, opening of Provincial hygiene institution, construction of out-door patient wards at Sawai Man Singh Medical College, opening of more Ayurvedic dispensaries and pharmacies and refreshers course	363.71	273.00	636.71
10. Backward Classes.			
Running of Hostels for students of Backward classes, grants in aid to Voluntary Association for developing education and other facilities, grant of scholarships, providing of education facilities, providing drinking water facilities, Cottage Industries, Labour Co-operative Societies, etc.	139.70	287.50	427.20
11. Local Self Government.			
Water Supply, electrification and drainage in Municipal towns			
Panchayats—			
Opening of primary schools, revival of chowkidari system in villages, construction of roads and Panchayat Ghars in Villages and slum clearance in villages	996.79	87.00	1083.79
12. Industries and Trade.			
Survey of Cottage Industries, Cottage Industries Institutes, Work-cum-training Centres and reorganisation of Demonstration parties, Expansion of Marketing Organisation, Scheme for development of cottage industries, promotion of design, survey and research, Scheme for the development and manufacture of salt on small scale industry, scheme for manufacture of Sodium Sulphate and its purification, Wool carding and finishing centres.			

1	2	3	4
<i>Mines.</i>	(Rs. in lakhs)		
<p>Aid to Mining Cooperative Societies and Quarry workers, Technical guidance to quarry workers, detailed prospecting operations for non-ferrous metallic mineral. Opening of a Copper Mine and Mill at Kho Dariba and Khetri, detailed prospecting for other minerals—Iron Ore, Titanium, Clays, Felspa, Lignite, Lead ore etc., Departmental Mining Projects (a) Gypsum (b) Wolfram (c) Mica (d) Fullersearth, Zawar Mines development, amalgamation of M. C. I. prospecting and exploration, construction of dam, establishment of Zinc and Lead smelter and Silver refinery, establishment of a fertilizer plant, aid to Makrana Quarries, Mining technological Institute, assistance for detailed examination and experiments and establishment of new industries, open cast working for lignite, establishment of brequetting, Carbonization products plants, establishment of sulphuric acid and fertilizer sulphur and Cement plants, establishment of plaster of Paris Factory, Well board and gypsum tiles factory</p>	358.54	1554.87	1913.41
13. <i>Electrical and Mechanical.</i>			
<p>Development of Jaipur and Kotah Power Stations, extension to Jaipur Transmission lines from Jaipur to Sikar and Chomu, extension of electric transmission lines from Govindgarh to Makrana, Shekawati area, from Dausa to Rajgarh, Alwar and Bharatpur and to the rural areas on route, extension of electric lines from Jaipur to Tonk-Malpura, etc.</p>	239.25	64.90	304.15
TOTAL .	4752.80	4430.84	9183.64

APPENDIX VII

[Reference Paragraph 54]

NOTE ON THE SPECIAL CONSIDERATION SHOWN UNDER THE PLAN TO CERTAIN PART 'B' STATES MENTIONED IN CLAUSE (1) OF THE FEDERAL INTEGRATION AGREEMENT.

There are three broad aspects from which the question—how far the Plan makes special provision for the States mentioned in Clause (1) of Federal Financial Integration Agreement, has to be examined:

- (i) to what extent in the estimate of resources for these State Plans, allowance has been made for the increase in the level of non-development expenditure over the base year of 1950-51, for strengthening the administration?
- (ii) to what extent the Plan provides for a specially accelerated rate of development for these States as compared with other States?
- (iii) to what extent and in which direction the Government of India assist specially development programme of these States?

2. While examining these aspects it is necessary to point out at the outset that the Planning Commission, in determining the measure of Central assistance towards State Plans, had to take into account a variety of consideration, viz., population, general level of development, the condition of administration in a particular State, the priority of the programmes included in the State Plans from the national point of view, and commitments on account of projects in progress.

3. *Special provision for strengthening of administration.*—While estimating the resources for the Plan, the amount available for expenditure of a non-developmental character on such items as law and order, general administration, etc., during five years of the Plan, was also estimated and generally, in order to make more resources available for developmental activities, the estimate for non-developmental expenditure for any particular State was, as far as possible, kept on a level of economy. However, in case of these Part B States mentioned in Clause (1) of Federal Financial Integration Agreement, it was recognised that as an essential preliminary for the promotion of developmental activity in these States, increased expenditure would be necessary to make up the leeway in the administrative organisation. For instance, in case of Saurashtra, while the actual expenditure under non-developmental heads in Revenue account for 1950-51 was Rs. 351 lakhs, the estimate of resources by the Planning Commission allowed for stepping up of expenditure to Rs. 402 lakhs in 1951-52 and Rs. 434 lakhs in 1955-56. Similarly, in case of Madhya Bharat, against the actual expenditure of Rs. 497 lakhs under non-developmental heads in Revenue account in 1950-51, an annual average rate of expenditure of Rs. 520 lakhs was allowed under the Plan. For Rajasthan, the average rate for five years in the Plan in the estimate

of resources was Rs. 9.1 crores, against Rs. 7.58 crores (1950-51 Accounts). In fact, in case of Rajasthan when the Plan was discussed in 1951-52 with the representatives of the State Government, the urgency of such non-developmental expenditure as administrative buildings and strengthening the administrative machinery, was specially mentioned and provided for.

4. *Specially accelerated rate of development for Part B States under Clause (1) of F.F.I. Agreement.*—From the following tables it will be noticed how the Five Year Plan envisages specially accelerated rate of development over the base year of 1950-51:—

Progress of expenditure under non-development head			As estimated under the Plan—1951-56
1951-52 (Actuals)	1952-53 (Revised) (Rs. in lakhs)	1953-54 (Budget)	
Madhya Bharat	538	643	607 (Annual average rate)
PEPSU	271	323	358
Rajasthan	910	933	1,015 (Annual average rate)
Saurashtra	440	708	452 (1951-52—1955-56)
TOTAL	2,159	2,607	2,432
			(Rs. in lakhs)
			Development expenditure in
			1950-51 1951-56
<i>Saurashtra</i>			
Agriculture and Rural Development			50.6 532.4
Irrigation Projects			45 474.6
Power Projects			11.1 212.5
Roads			28.1 360
Education			8.3 164.9
Medical and Public Health			3.14 144.2
GRAND TOTAL			159.2 2046.8
<i>Madhya Bharat—</i>			
Agriculture and Rural Development			98.7 945
Irrigation Projects			17 328
Power Projects			29.2 228
Roads			19.8 189
Education			5.8 200
Medical and Public Health			34.5 198.2
GRAND TOTAL			213.1 2242

		Development expenditure in	
		1950-51	1951-56
<i>Rajasthan—</i>		(Rs. in lakhs)	
Agriculture and Rural Development		14.5	167.3
Irrigation Projects		65.2	503.6
Power Projects		12	40.8
Roads		62	400
Education		9.7	263.5
Medical and Public Health		12.3	217.5
GRAND TOTAL		189.8	1681.4
<i>PEPSU—</i>			
Agriculture and Rural Development		33.4	435.9
Irrigation Projects		1.9	34
Power Projects . . . . .		..	30.6
Roads		8.8	95.1
Education . . . . .		..	89.1
Medical and Public Health		0.8	85
GRAND TOTAL		47.5	814.2

If the rate of development in these States under various heads is compared with any Part A State, like Bihar, Bombay, Madras or Uttar Pradesh, it will be quite clear that an accelerated rate of progress, consistent with the capacity of the administration in the States to implement these programmes, has definitely been undertaken. The real rate of development would be very much more than what is indicated under the State Plans. To make an exact assessment of the effect of the Plan on the economy of the States, it would be necessary to take into account the other projects which are not included in the State Plans, but are in the National Plan and would be executed in the States benefiting the people, namely, Bhakra Nangal, Chambal, Technical Co-operation Administration Tubewells in PEPSU, Special Minor Irrigation programme, Community Projects, programmes of Basic and Social Education, Cottage Industries, Welfare of Scheduled Castes, Scheduled Tribes and Criminal Tribes, etc.

5. The Central assistance to State Plans is only one of the methods of assistance for development in any particular State. The Central River Valley projects, Community Development programme, programme for Basic and Social Education, Special Minor Irrigation programme, programme for National Malaria Control and the programme for the Welfare of Scheduled Castes and Tribes and other backward classes, etc., are the various measures through which the Central Government would be assisting in the development of the States. The Part B States mentioned in Clause (1) of Federal Financial Integration Agreement, have been specially considered for assistance under most of these programmes.

6. When the question of Central assistance to State Plans was considered in the Planning Commission in 1951-52 with the representatives of State Governments, the Central assistance to Saurashtra was raised from Rs. 4 crores to Rs. 6 crores, and in case of Rajasthan, the amount of Central assistance was raised to Rs. 9 crores from Rs. 6 crores, originally proposed. In case of Madhya Bharat, the amount of assistance was put at Rs. 4 crores in the final Report of the Planning Commission.

As has been indicated earlier, the amount of Central assistance recommended by the Planning Commission in the final report had to be tentative in the sense that these amounts would be reviewed in the light of the recommendations of the Finance Commission, the ability of the State Governments to raise resources and their capacity to implement programmes considered urgent in the light of the needs of the country not only when the Plan was formulated, but also during the implementation of the Plan. In fact, the Planning Commission has already addressed the State Governments on the subject of Adjustments in the Plan, which have become urgent for meeting the situation created by increasing unemployment among the educated middle class.

7. To what extent the Central assistance envisaged under the State Plans would be in the form of loans and grants, was not settled and perhaps could not be settled at the time of the formulation of these Plans. The general policy formulated by the Planning Commission, in consultation with the Ministries of Finance and States, was that assistance would be available to all State Governments, including these Part B States, in the form of loans for approved projects of high priority and productive character, particularly relating to Irrigation and Power, besides the assistance which would be available in the form of grants and loans for Grow More Food programmes. Rs. 3 crores were provided in the budget of 1951-52 for developmental grants under Federal Financial Integration Agreement for the Part B States mentioned in Clause (1), for assisting schemes under the State Plans. The distribution of the amount was as under:—

	(Rs. lakhs)
Rajasthan	150
Madhya Bharat	75
Saurashtra	37.5
PEPSU	37.5

In case of Saurashtra, it was agreed that Rs. 2 crores, out of the sum of Rs. 6 crores assumed as Central assistance towards the State Plan, would be in the form of grants. The whole question of determining the amount of grants against the Central assistance envisaged under the Plan, will have to be reviewed in the light of the recommendations of the Finance Commission.

8. Special consideration has been shown to these four Part B States in the matter of Central assistance under other programmes as well. The *Bhakra Nangal* project, which will benefit Punjab, PEPSU and Rajasthan, will have to be financed by the Centre through loan

assistance to the participating States and *the revised estimated cost of the project (Rs. 156.32 crores) in 1951 is distributed as under:

	Punjab	Pepsu	Rajasthan
Bhakra Nagal Project as per revised estimated 1951 :			Rs. crores
Irrigation	66.28	23.60	21.95
Power	27.19	10.83	6.48
TOTAL	93.47	34.43	28.43

The sharing of benefits of Bhakra Nangal and Chambal Projects is as under:—

Irrigation

	Culturable commanded area (acres)
Punjab	38,53,600
PEPSU	10,87,980
Rajasthan	9,20,000

Power

	Maximum demand in k.w. (10th year of operation)
Delhi	20,000
Uttar Pradesh	10,000
Punjab	42,700
PEPSU	15,300
Rajasthan	10,000
General	1,400
TOTAL	99,400

Chambal Project.

Irrigation.

Division of Irrigation
benefits on 50: 50 ratio

Rajasthan—6 lakh acres

Madhya Bharat—6 lakh acres

Power

Not yet decided.

* The revised cost is yet to be accepted by the Government of India.

While the share of expenditure on account of Chambal project (costing Rs. 33 crores) between the two States of Rajasthan and Madhya Bharat has yet to be determined, the Government of India has already agreed to allow the Governments of Rajasthan and Madhya Bharat to keep, as a loan assistance from the Centre, *all the collections* on account of small savings campaign (the target for 1952-53 being Rs. 50 lakhs and Rs. 35 lakhs for Rajasthan and Madhya Bharat respectively). 6 lakh acres will be irrigated both in Rajasthan and Madhya Bharat. The share in power benefits has not yet been settled.

Under Technical Co-operation Administration assistance, a programme of 300 tubewells has been undertaken in PEPSU, in addition to whatever has been provided in the State Plan. This programme is likely to cost between Rs. 150 lakhs to Rs. 200 lakhs.

9. *Special Minor Irrigation Programme.*—In the Final Report of the Planning Commission, Rs. 30 crores were provided for the Special Minor Irrigation programme. While allocating the funds on account of this programme, various factors, *viz.*, population, area, food targets, etc., were taken into account. The four Part B States mentioned in Clause (1) of Federal Financial Integration Agreement were given special consideration in the allocation of funds under this programme. For instance, while Madhya Bharat should have got only Rs. 66 lakhs on population basis, the allocation agreed to so far has been Rs. 138 lakhs during 1953-54 and 1955-56. Similarly, Rajasthan was entitled to Rs. 1.29 crores on population basis, but the allocation agreed to was Rs. *1.75 crores. The allocation for PEPSU and Saurashtra is still under consideration.

10. *Community Development Blocks.*—Special consideration has also been shown in respect of allocation of Community Development Blocks in case of these Part B States. Originally, one Project or three Blocks were proposed to be allocated to Rajasthan, but later on seven Development Blocks were assigned. For Madhya Bharat, in place of one Project, as originally proposed, two Projects were assigned—one for Indore and the other for Gwalior. While on the basis of the usual test, Saurashtra should have been eligible for one Development Block, the Central Committee actually allocated one full Project. Similarly in case of PEPSU.

*It has been noticed that there is scope for medium irrigation projects at an economic rate in Rajasthan, and it is being considered if an additional amount of Rs. 100 lakhs to Rs. 150 lakhs might be allocated to Rajasthan for such projects during the period of the Plan.

[Reference Paragraph 5]

APPENDIX VIII

STATEMENT SHOWING THE SIZE OF THE STATES' FIVE YEAR PLANS AND THE PER CAPITA EXPENDITURE INVOLVED.

	Size of State Plans	Per Capita Rs.	Central assis- tance for State Plans	Per Capita Cen- tral assistance	Multipurpose Projects (Total estimated assis- tance)	Per Capita
	(Rs in crores)		(Rs, in crores)	Rs.	(Rs. in crores)	Rs.
Saurashtra	20.4	49-5-2	6.0	14-8-0	..	..
Rajasthan	16.8	10-15-11	9.0	5-14-2	45.30(a)	29-10-0
Madhya Bharat	22.4	28-3-3	6.0	7-8-0	16.87(b)	21-3-4
PEPSU	8.1	23-5-3	2.5	7-2-6	34.43(c)	98-8-8
Hyderabad	41.6	22-4-0	10.0	5-5-9	..	..
Mysore	36.6	40-5-8	8.0	8-13-0	..	..
Travancore-Cochin	27.3	29-7-0	7.0	7-8-8	..	..
Assam	17.5	19-5-7	15.0	16-9-4	..	..
Bihar	57.3	14-3-10	15.0	3-11-8	.. (d)	..
Bombay	141.4	40-11-7	16.0	4-7-1	33.00(e)	9-2-1c
Madhya Pradesh	43.1	20-4-5	12.0	5-10-4	..	..
Madras	140.8	24-11-2	20.0	3-8-1	..	..
Orissa	17.8	12-2-11	10.0	6-13-3	62.59(f)	42-11-9
Punjab	20.2	15-15-9	11.0	8-11-3	93.47(g)	73-15-0
Uttar Pradesh	97.8	15-7-7	15.0	2-5-11	35.00(h)	5-8-7
West Bengal	69.1	27-13-7	26.5	10-10-10	74.98(i)	30-3-8

(a) State's shares of Bhakra Nangal & Chambal Projects.

(b) State's share of Chambal Project.

(c) State's share of Bhakra Nangal Project.

(d) Bihar's share of the Kosi Project is not included, as the estimate is not known.

(e) Cost of Koyana Project. (f) Cost of Hirakud Project.

(g) State's share of Bhakra Nangal Project.

(h) Cost of Rihand Project. (i) Cost of Damodar Valley Project.

APPENDIX IX
STATEMENT SHOWING THE NUMBER OF VARIOUS EDUCATIONAL INSTITUTIONS AND NUMBER OF SCHOOLGOING CHILDREN IN CERTAIN PART B AND PART A STATES
[Reference Paragraph 58]

	1	2	3	4	5	6	7	8	9
		Population (in lakhs)	Number of Primary Schools	Number of Secondary and Middle Schools	Number of Higher Secondary and High Schools	Number of Colleges (including Professional Colleges)	Number of technical institutions (Schools and Colleges)	Total number of Pupils	Percentage of students to total population
Saurashtra	41.37	2,499	108	*	8	Nil	3,03,000	7.3
Rajasthan	152.91	4,135	827	178	39	35	3,53,115	2.3
Madhya Bharat	79.84	4,532	355	59	24	268	3,56,973(1)	4.5
P.E.P.S.U.	34.94	963	272	112	12	5	1,30,869(2)	3.7
Bombay	359.56	28,335	1,349	**	118	12,836	43,08,463	11.9
Orissa	146.46	11,496	549	204	18	1,096	6,23,308	4.3
Madhya Pradesh	212.48	9,306	976	289	40	82	10,57,646(3)	5.0
Punjab	166.41	4,592	894	468	54	186	9,07,761	7.2
Uttar Pradesh	632.16	44,450	4,376	3,100	69	172	32,35,900	5.1
Madras	570.16	38,504	282	1,117	132	1,945	48,71,523	8.5
Bihar	402.25	24,214	2,461	704	50	4,205	20,49,098	5.1

NOTE:— * No separate information is available.
 (1) Figure for 1952.
 (2) Figures only in respect of Government educational institutions.
 ** Separate figures not available.
 (3) Does not include students at Schools for Social education.

APPENDIX X

[Reference Paragraph 58]

STATEMENT SHOWING APPROXIMATE CATTLE POPULATION, NUMBER OF VETERINARY HOSPITALS, DISPENSARIES ETC. IN CERTAIN PART B AND PART A STATES.

	Approximate Cattle population (in lakhs)	No. of veterinary hospitals and dispensaries	Average cattle population served by a veterinary hospital/ dispensary (in lakhs)
Saurashtra	33·12	27	1·2
Rajasthan	134·68	127	1·1
Madhya Bharat	95·89	157*	0·6
P.E.P.S.U.	22·89	104	0·2
Bombay	160·77	252	0·6
Orissa	151·18	89	1·7
Madhya Pradesh	174·58	245	0·7
Punjab	88·75	849	0·1
Uttar Pradesh	**	228	
Madras	273·00	330	0·8
Bihar	152·97	180	0·8

NOTE:—*Includes 3 mobile dispensaries.

**Information not available.